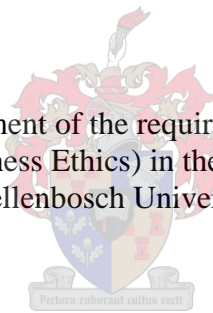


Integrating Business and Society's Five Frameworks: A Critical Appraisal of Schwartz and Carroll's Proposal in the Context of South African Corporate Governance and Business Ethics

by

Thomas Jason Beale

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Supervisor: Prof. Johan P. Hattingh
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Declaration

By submitting this thesis electronically, I declare that the entirety of the work contained therein is my own, original work, that I am the sole author thereof (save to the extent explicitly otherwise stated), that reproduction and publication thereof by Stellenbosch University will not infringe any third party rights and that I have not previously in its entirety or in part submitted it for obtaining any qualification.

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Abstract

The purpose of this research is to find or formulate a few, robust conceptual frameworks that can enable me to better answer—from a business ethics and South African corporate governance perspective—a number of questions regarding the relationships amongst five fields, frameworks and/or functions that feature in the governance and management of the relationship between business and society, viz. *business ethics, corporate social responsibility, stakeholder relations, sustainability and corporate citizenship*. This is done by strengthening and extending Schwartz and Carroll's (2008) research on integrating and unifying these five frameworks, which compete for 'pre-eminence' in the field of business and society. The main outputs of their research are a conceptual framework for the comparative analysis of the five frameworks, and a proposed Value, Balance and Accountability (VBA) Model that can serve as a common, core construct in the field of business and society. Their two conceptual frameworks, strengthened through their incorporation into a concentric, conceptual framework of my own that highlights the importance of applied (business) ethics, are then used to analyse—and are checked against—the Institute of Directors of South Africa's (IODSA's) King Committee's guidance on corporate governance. The analysis confirms the validity of the conceptual framework and VBA model in that context, and their usefulness for the explanatory purposes stated above.

Opsomming

Die doel van hierdie navorsing is om 'n paar, sterk konseptuele raamwerke te vind of te formuleer wat vir my kan help in die beantwoording van 'n aantal vraagstukke met betrekking tot die verhoudinge tussen die velde, raamwerke en korporatiewe funksies van *besigheidsetiek, korporatiewe sosiale verantwoordelikheid, verhoudings met belanghebbendes, volhoubaarheid, en korporatiewe burgerskap*. Hierdie navorsing word vanaf 'n besigheidsetiek en korporatiewe bestuursperspektief benader. Die vyf velde, raamwerke en korporatiewe funksies vertoon prominent in die bestuur van die verhoudinge tussen besigheid en die samelewing. Die navorsingsdoel word bereik deur die versterking en uitbreiding van Schwartz en Carroll (2008) se navorsing oor die integrering en vereniging van die vyf raamwerke in daardie konteks. Die hoof resultate van hulle navorsing is 'n konseptuele raamwerk vir die vergelykende ontleding van die vyf raamwerke, sowel as 'n voorgestelde Value, Balance and Accountability (VBA) model wat as 'n kern konstruk in die veld van besigheid en die samelewing kan dien. Hulle twee konseptuele raamwerke, versterk deur hulle inkorporering in 'n konsentries, konseptuele raamwerk wat ek self ontwikkel het, word dan uitgebrei en gebruik om die Institute of Directors of South Africa's (IODSA's) King Committee se leiding op korporatiewe bestuur te ontleed, en die raamself self te beoordeel. Die ontleding bevestig wel die geldigheid van die konseptuele raamwerk en die VBA model in daardie konteks, sowel as die bruikbaarheid van die raamwerk en model vir die verklarende doeleindes wat hierbo geïdentifiseer is.

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Abbreviations

IIRC	International Integrated Reporting Council
IODSA	Institute of Directors in Southern Africa (from 2020, 'South Africa')
PCSR	Political corporate social responsibility
RIMS	Rational interaction for moral sensitivity
UN	United Nations
VBA	Value, Balance and Accountability
VPVs	Values, principles and/or virtues
XCC	Extended corporate citizenship

Chapter 1 INTRODUCTION

1.1 General Problem Statement

While serving as an ethics and compliance officer in two multinational telecommunications corporations, I was often tasked to establish, serve on and support the work of various board and executive management committees that were responsible for one or more of the following functions: *business ethics, corporate social responsibility, stakeholder relations (or corporate affairs), sustainability and corporate citizenship*. The committees had various names and remits, e.g. ‘ethics,’ ‘social and ethics,’ ‘sustainability and ethics’ and ‘governance, risk, ethics and compliance’ committees. Attendees generally included myself and a number of corporate officers responsible for one or more of the other functions. Given the conceptual overlaps between our functions, there was usually a bit of pushing and shoving about who was or should be doing what, who should be setting the agenda, and who should be convening and chairing the meeting.

In that context, I often had to address the two following questions (in one form or another): “What are the similarities and differences between—and the relationships amongst—the functions of business ethics, stakeholder relations, corporate social responsibility, corporate citizenship and sustainability?”, and “Is it possible to identify a few core concepts or goals that are shared by those functions that can help them to be more focused and work together in a more integrated fashion (and possibly be captured in an operational motto for the various officers involved)?” More pointedly, in the course of thinking through the ‘relationships’ element of the first question, I had to reflect upon the underlying issue or question of “How does one best explain the role of *applied (business) ethics* in providing the normative foundations for all of these fields, frameworks and functions?” That is, directors and managers are generally familiar with the more empirical (i.e. descriptive/predictive) theories and approaches of business ethics, e.g. codes of conduct, organizational ethics, ethical culture, and sometimes even a bit of behavioural ethics. However, they are less familiar with the normative (i.e. prescriptive) theories and approaches of applied (business) ethics and their relevance when deciding on and justifying—morally and sometimes politically—various courses of action undertaken by the sustainability, corporate citizenship, stakeholder relations and other

functions. My problem, then and now, is that I have struggled to formulate and present answers that are philosophically well-informed yet easily understandable for directors, executives and specialist officers in the various functions. The basic goal of my research is to find and/or formulate a few robust conceptual frameworks that will enable me—now working as a consultant in the fields of corporate governance, ethics and compliance—to answer these questions in a more informed and more easily comprehensible manner in future.

1.2 Specific Problem Statement and Context

The questions presented above are particularly important in the South African business context because the fields, frameworks and functions of business ethics, sustainability, corporate social responsibility, corporate citizenship, and stakeholder relations feature in King IV (2016)¹ and earlier King Committee guidance² on corporate governance. They have, over two and a half decades, evolved and been adapted and refined, and as a result they have not always been presented in a very consistent or systematic fashion.

Furthermore, King Committee guidance has indeed identified *ethics* as the foundation of corporate governance. This was first expressed in King III (2009: 21) which states that “ethics is the foundation of and reason for corporate governance;” and conversely, that “corporate governance is the practical expression of ethical values and standards.” King IV (2016: 11) follows that line and defines corporate governance as “the exercise of ethical and effective leadership by the governing body towards the achievement of the following outcomes: ethical culture, good performance, effective control, legitimacy.”

¹ There are four Institute of Directors in South Africa (IODSA) King Committee reports, generally referred to as King I (IODSA 1994), King II (IODSA 2002), King III (IODSA 2009a, 2009b) and King IV (IODSA 2016). King I, II, III and IV were reports containing codes; King III also excerpted its code into a stand-alone document. Hereinafter, they are referred to and cited as e.g. King I (1994), II (2002), III (2009) and IV (2016) and the King III Code (2009). It is assumed that the reader is reasonably familiar with this body of work.

² When I use the term ‘King Committee guidance’, I refer primarily to the guidance provided in King III (2009) and King IV (2016). King IV (2016: 23) states, “Although King IV does not represent a significant departure from the philosophical underpinnings of King III, concepts have developed and been refined.” Unfortunately, in King IV a number of definitions and explanations of key concepts introduced in King III and earlier guidance have been left out, perhaps purposefully, because a shortened guidance was required. I take the view that one may justifiably retain most of King III’s concepts and philosophical underpinnings and may read much of King III and King IV *in pari materia*. A few of King I and King II’s key definitions and concepts are still relevant and can judiciously be put to use, but much of the guidance in those reports is too dated and incongruent with later guidance to be of any help. Thus, I refer to and discuss King I and King II in the past tense, and King III and IV in the present tense. References to “Principle 1” etc. are to the principles in King IV unless otherwise, specifically indicated.

King Committee guidance has provided one overarching construct for conceptualizing and explaining how *business ethics* serves as the unifying framework for corporate governance, *viz.* the two-pronged construct of ‘the ethics of governance’ and ‘the governance of ethics.’ The construct was first introduced in King III (2009: 21, 25) and continues (though only the latter prong is referred to) in King IV (2016:44). All five frameworks of business ethics, corporate social responsibility, corporate citizenship, stakeholder relations and sustainability are incorporated into that construct, and I bring it into my analysis of King Committee guidance in Chapter 4.³ However, the construct does not pointedly address the problems, mentioned above, *i.e.* that the presentation and application of the frameworks is not always consistent and systematic, and that the use of normative moral theory is not always clear. Thus, I am hoping to provide a conceptual framework that highlights the importance of *applied (business) ethics* in corporate governance, but is easily comprehensible to those not formally trained in that sub-field of business ethics.

More specifically, in this thesis I attempt to find answers to my questions, *i.e.* whether there are conceptual frameworks that can assist in understanding the relationships amongst the five fields, frameworks or functions mentioned above, and that can provide a unifying construct or ‘value proposition’ to the community of practices in the overarching field of business and society for use in the South African corporate governance context that can overcome the confusions, clashes and tensions that characterise it. Finally, at best, it should also be able to be expressed succinctly in a succinct operational motto.

1.3. Theory Selection

I intend to do this by critically analysing King Committee guidance at the hand of Schwartz and Carroll’s (2008) theoretical work on “Integrating and Unifying Competing and Complementary Frameworks: The Search for a Common Core in the Business and Society Field.” In that article Schwartz and Carroll present a comparative analysis of five competing-yet-complementary frameworks or constructs that vie for ‘pre-eminence’ in the field of business and society, *viz.* business ethics, corporate social responsibility, stakeholder management, sustainability and corporate citizenship. Schwartz and Carroll’s comparative

³ I draw on Rossouw’s (2020) insightful, recent historical overview of the construct in King Committee guidance. I provide citations to other works below.

analysis includes the dimension of ‘[normative] theoretical justification,’ which is of central importance here. The framework for, and the descriptive outcomes of, Schwartz and Carroll’s comparative analysis alone take me a long way in answering my questions regarding the similarities, differences and relationships amongst the five fields and frameworks. However, the main output of Schwartz and Carroll’s research is not the identification of a ‘pre-eminent’ framework, but a Value, Balance and Accountability Model (VBA model) which they proffer as an integrating or unifying, core construct for the five frameworks. Happily, the VBA model also takes me a long way in meeting my need for a unifying construct that can be captured in an operational motto for the ethics, sustainability and other officers.

However, I do note that, in their search for a common core in the field of business and society, Schwartz and Carroll missed—or perhaps purposefully did not want to seize upon—an opportunity to highlight the fact that *applied (business) ethics* also lies at the core of the field of business and society by virtue of it providing the normative, theoretical justifications or foundations for all five frameworks. I want to emphasize that, in saying this, I am not asserting that *business ethics* is the ‘pre-eminent’ framework in the field of *business and society* (although it is the pre-eminent framework in South African corporate governance, as stated above, and as I will show in Chapter 4). However, I am asserting that *applied (business) ethics* is the critical, ‘permeating’ sub-framework that informs and supports the other frameworks, the VBA construct, and ultimately the overarching field of business and society. I intend to highlight this in an easily comprehensible, conceptual framework that can strengthen Schwartz and Carroll’s comparative analytic framework and VBA model and make it amenable to extension into the field of corporate governance—or at least King Committee-style corporate governance.

It appears that, in undertaking this research, I am not doing Schwartz and Carroll an injustice. They (2008: 176, 177) specifically state that “the VBA model could be utilized to assess, analyze, or link together other fields such as strategic management or *corporate governance*, which over time have become more and more interconnected with the various constructs of the business and society field [emphasis added].” They also state that “researchers aligned to each of the five dominant frameworks can potentially use the VBA model to better locate and understand their work in relation to the other frameworks. By doing so, potential confusion as well as potential criticism from their colleagues from both within and outside of the business and society field may be reduced.” Here, I attempt to advance their research along both of

those lines by strengthening it and extending it to King Committee guidance—from a business ethics perspective—and to answer my questions at the same time.

1.4 Thesis Outline

In Chapter 2, I present an overview of Schwartz and Carroll's comparative analysis and VBA model. In Chapter 3, I attempt to strengthen the same using an analytic framework that I have developed and deployed over the past three decades in my professional work. In Chapter 4, I analyse King Committee guidance at the hand of Schwartz and Carroll's analytic framework and model, so strengthened and extended. In Chapter 5, I conclude and reflect on possible further research.

Please note that, hereinafter, I generally refer to business ethics, stakeholder relations, corporate social responsibility, corporate citizenship and sustainability as 'the five frameworks,' and occasionally as 'the five fields' and/or 'frameworks' and/or 'functions,' depending on the context and the point I wish to make.

Chapter 2 SCHWARTZ AND CARROLL’S SEARCH FOR A COMMON CORE IN THE FIELD OF BUSINESS AND SOCIETY

2.1 Introduction

The purpose of this chapter is to present an overview of Schwartz and Carroll’s (2008) search for a common core in the field of business and society. I provide an overview of their comparative framework and analysis of the five competing and complementary frameworks or constructs that are dominant in the field of business and society, *viz. corporate social responsibility, business ethics, stakeholder management, sustainability and corporate citizenship*. I also provide an overview of their value, balance and accountability (‘VBA’) model for integrating and unifying the five frameworks. Both of these constructs are important for answering the questions posed in Chapter 1. Please note that by ‘overview,’ I mean a summary or basic sketch of their article, not a reflective interpretation or deep, critical analysis. However, I do keep my pencil sharp enough to enable me to make a few criticisms, observations and suggestions about some noticeable-but-remediable weaknesses or shortcomings of their work in Chapter 3.

Carroll and Brown (2018) have recently recapitulated and updated Schwartz and Carroll’s comparative analysis and reasserted the validity of the proposed VBA model, but this time in the context of providing a review of current concepts, research and issues in the field of corporate social responsibility, rather than the field of business and society. In that article, they start from the position that corporate social responsibility is clearly the dominant framework in the latter field; they discuss the others as contenders, competitors or substitutes.

In the following section, I discuss Schwartz and Carroll’s identification of the five frameworks, the definitional overlaps and confusion surrounding them, and the consideration of whether a paradigm or only an integrative framework for the field is possible (2.2). I then briefly discuss their comparative analysis of the frameworks (2.3) and their proposed VBA model for integrating the same (2.4). Thereafter, I summarize the update of their work by Carroll and Brown (2018) (2.5). Finally, I conclude and provide a transition to Chapter 3.

2.2 Confirmation of the Five Primary Frameworks and Discussion of the Goal

As a point of departure, Schwartz and Carroll (2008: 152) acknowledge that ‘business and society’ is itself only one of the labels for, or conceptualizations of, their field. There are others, e.g. social issues in management, business and public policy, and business *in* society. As for the dominant ‘frameworks’ or ‘constructs’ within the field, Schwartz and Carroll (2008: 154) apply the criteria of “prevalent and consistent use by the academic and business communities;” and without any trouble they find ample evidence that the five frameworks of business ethics, corporate social responsibility, corporate citizenship, stakeholder relations and sustainability indeed meet those criteria.⁴

Schwartz and Carroll (2008: 149) then highlight the definitional/conceptual confusion amongst these and other constructs; the main problem being that “each of the concepts has been suggested to incorporate one or more of the others.” They present numerous, convincing examples of the same. However, Schwartz and Carroll (2017: 152) propose that a focus on the common, core elements of the constructs can potentially lead to agreement on “the proper role of the firm in society.” The immediate question is, should they be searching for a paradigm or a more modest, integrative model or framework.

Schwartz and Carroll (2008: 153) refer to Jones’s (1983: 559) rigorous criteria for a paradigm, “(1) a unifying or integrating theme; (2) substantial orthodoxy in the basic parameters of research—theory, methods and values; and (3) predictive or explanatory capability.” Analysed on the basis of those criteria, Jones found business and society’s multi-disciplinary theory, ‘stunning’ variety of methodologies and diversity of values as indicating the absence of a paradigm, and that the search for one would be a long one. Writing much later in 2008, Schwartz and Carroll (2008: 153) take the view that this situation had not much changed, and similar to Jones, they “attempt to propose only an integrating framework for the business and society field, as opposed to a paradigm.” While this is a more modest and realistic goal, they are hopeful that, “[i]f consensus were to be achieved, this could become the cornerstone on which the various research agendas can be tied together into a coherent whole.”

⁴ These five frameworks (along with corporate governance) continue to feature in Carroll and Buchholtz’s (2015) textbook on *Business & Society: Ethics, Sustainability and Stakeholder Management*.

2.3 **Comparative Analysis of the Five Primary Frameworks**

Schwartz and Carroll's (2008: 155ff) comparative analysis of the five frameworks highlights that they were basically formulated or constructed and firmed up over time. They (2008: 156-157) explain that corporate social responsibility firmed up into a recognized framework in 1960s (arguably even earlier) and each of the other four in the decades that immediately followed, up to the 2000s. Of course, all are continuing to evolve to date, and have become fields of academic research and professional practice in their own right. It is not my intention to bring Schwartz and Carroll's work fully up to date, but I shall make a few, passing observations regarding developments to date that are relevant to my work in Chapters 3 and 4.

Schwartz and Carroll's (2008: 166) tabular framework for the comparative analysis—adapted and presented in Table 1 below—applies seven criteria, *viz.* history, origins, core definition, focal entities, narrow and broad versions, theoretical offshoots, and—most importantly for my purposes—normative, theoretical justifications (highlighted in red italics in Table 1 for reasons that will become clear further on). I have also inserted into the Table, in square brackets, a few justifications mentioned in their text but not in their table. Schwartz and Carroll (2008: 155-165) also highlight the five frameworks' various strengths and weaknesses. Drawing on Wood's (1991: 694) model of corporate social performance, they indicate whether the framework under analysis focuses on *principles*, *processes* and/or *outcomes* as they proceed. Table 1 is explained in the paragraphs that follow.

Table 1: Comparative Analysis of Dominant Business and Society Frameworks. Adapted from Swartz and Carroll (2008: 166-167).

Criteria	Corporate Social Responsibility	Business Ethics	Stakeholder Management	Sustainability	Corporate Citizenship
Formative decade	1930s – 1960s	1970s – 1980s	1980s	1990s	2000s
Origins	Social impact	Moral philosophy	Non-shareholders	Natural environment	Philanthropy/community
Core Definition	Do good	Avoid harm	Balance interests	Ensure future	Contribute to society
Focal Entities	Organization	Managers, employees and organizations	Managers and organization	Organization	Organization
Narrow Versions /Conceptualizations	Economic + legal dimensions	Law + compliance	Primary stakeholders	Anthropo-centric	Philanthropy + community development
Broad Versions / Conceptualizations (add)	Ethical + discretionary (or philanthropic) dimensions	Ethics + values + integrity	Secondary [and 'non'-] stakeholders	Ecocentric	National + global levels of operation
Theoretical Offshoots e.g.	Shareholder/stockholder model	Ethics and corporate governance	Stakeholder relations	Business and the environment	National and global corporate citizenship
	Corporate social performance	Moral/ethical leadership	Stakeholder engagement	Sustainable capitalism	
	Corporate social responsiveness	Ethics/values-based management	Stakeholder corporation		
			Stakeholder capitalism		
<i>[Normative] Theoretical Justifications e.g.</i>	<i>Moral agency</i>	<i>Utilitarianism</i>	<i>Moral agency</i>	<i>Utilitarianism</i>	<i>Utilitarianism</i>
	<i>Social contract</i>	<i>Deontology</i>	<i>Justice/fairness</i>	<i>Moral rights</i>	<i>Social Contract</i>
	<i>Stakeholder theory</i>	<i>Moral rights</i>	<i>Moral rights</i>		<i>Moral rights</i>
	<i>Utilitarianism</i>	<i>Justice</i>	<i>Social contract</i>		
		<i>Moral virtue</i>	<i>Kantianism</i>		
		<i>[Social contract]</i>	<i>Utilitarianism</i>		
		<i>[Moral/ethical pluralism]</i>	<i>Libertarianism</i>		
			<i>Trust</i>		
			<i>Feminist ethics</i>		
			<i>[Stakeholder theory]</i>		

2.3.1 Corporate Social Responsibility

Schwartz and Carroll (2008: 156-157) explain that corporate social responsibility originates from concerns regarding the social impacts of the activities of business organizations.⁵ Its definitional core evolved from ‘doing no harm’ to ‘doing good.’ Thus, there are two schools of thought.

One adopts a narrow conceptualization limiting the framework’s scope to the economic and legal dimensions of business’s relationship with society, i.e. the legal pursuit of profit. This corresponds with the first and second tiers of Carroll’s (1991; 2016) well-known pyramid of corporate social responsibility,⁶ and it is aligned with the theoretical offshoot of the shareholder/stockholder model of the firm and corporate governance. Corporate social responsibility’s normative justifications are found in legal agency theory and laissez-faire capitalism.

The other school adopts a broad conceptualization that also includes the ethical and discretionary dimensions, the third and fourth tiers in Carroll’s pyramid. Corporate social responsibility’s focus on ‘outcomes’ has generated theoretical offshoots of corporate social performance and responsiveness. The broader conceptualization(s) are normatively founded on a range of theories, including moral agency, social contract and stakeholder theories, and utilitarianism.

2.3.2 Business Ethics

Schwartz and Carroll (2008: 158-159, drawing on De George (1987) explain that, while ethical reflection on business activities has a very long history in the West and elsewhere, business ethics developed during the 1970s and was recognizable as an academic field by the mid-1980s. It originates from concerns regarding the morality of the behaviour and activities of managers,

⁵ Please note that, throughout the thesis, I spell ‘organization’ (and ‘conceptualization,’ for that matter) with a ‘z,’ not an ‘s,’ and Schwartz and Carroll do the same. When quoting others, I leave the original text as it is, i.e. with a ‘z’ or an ‘s’ as the case may be.

⁶ The tiers of Carroll’s (2016: 5) pyramid—from the bottom, up—are economic responsibilities “required by society” (“be profitable”); legal responsibilities “required by society” (“obey laws and regulations”); ethical responsibilities “expected by society” (“do what is just and fair; avoid harm”); and philanthropic responsibilities “desired by society” (“be a good corporate citizen”).

employees and organizations—i.e. scandals and business-caused/induced social and environmental disasters—and thus tends to focus on the morality of business/capitalism and avoidance of harm. They (2008: 159) view business ethics as focusing on the ethical dimension of the business and society relationship (which corresponds with Carroll’s third tier of corporate social responsibilities). The core of the field or framework is moral philosophy (i.e. normative and applied ethics) and the use of theories, values and principles “to engage in ethical assessments of business activity and to prescribe ethical courses of action.” Thus, the theoretical offshoots have taken ethics into other empirical fields such as ethics-based and values-based management, ethical leadership, and—most important for this thesis—ethics and corporate governance.

Schwartz and Carroll note that the two main moral theories that are being applied are utilitarianism and deontology (generally Kantian), and another two theories regarded as being in the latter camp, *viz.* moral rights and justice. The main, alternative theory is the recently revived ‘moral virtue’ theory or ‘virtue ethics,’ based on the work of Aristotle. I would add that, also recently, these modern theories have been complemented by others based on late modern (e.g. discourse ethics) and post-modern philosophical thought. I discuss this further in Chapter 3.

Schwartz and Carroll (2008: 159) see the framework’s deficiencies in its lack of descriptive and instrumental research and its failure to explicitly address legal compliance within its framework. However, I would submit that these deficiencies have now been addressed through the development of the academic and professional subfields of e.g. behavioural ethics and ethics and compliance.⁷ Schwartz and Carroll (2008: 174) view business ethics as being focused on principles, as further discussed under accountability (2.4.3) below. Finally, I have highlighted the theoretical offshoot of ‘ethics and corporate governance’ because that is the focus of this thesis.

⁷ Regarding behavioural ethics see, e.g. Palazzo, Krings and Hoffrage’s (2012) article on ‘ethical blindness’ and Robertson, Voegtlin and Maak’s (2017) review of ‘the promise of neuroscience’ for the field of business ethics. Regarding the field and profession of ‘ethics and compliance’ (or ‘compliance and ethics’ as generally referred to in U.S. practice), see e.g. Groenewald and Dondé (2017) and visit the website of the Society for Corporate Compliance and Ethics at <https://www.corporatecompliance.org/>, accessed on 18 March 2021.

2.3.3 Stakeholder Management

According to Schwartz and Carroll (2008: 160-162), stakeholder management emerged as a dominant construct in the field of strategic business management and management theory in the 1980s. Obviously, it focuses on managers and organizations, and the emphasis is on process, though principles and outcomes remain important. Again, there are two conceptualizations or schools of thought, distinguished by how stakeholders are defined. In short, the narrowest version includes only those primary stakeholders who have placed something at risk, i.e. a stake, while the broadest version includes secondary (and ‘non-’) stakeholders, i.e. all those who actually are or potentially can be affected by or affect the decisions or actions of the firm, including non-human beings and the natural environment. A number of other versions lie somewhere in between, e.g. Woermann and Engelbrecht’s (2019) ‘relationholder theory,’ which is based on the African philosophical foundation of *Ubuntu* (discussed further in Chapter 3). Schwartz and Carroll explain that the theoretical offshoots are myriad, and include ‘stakeholder relations’ or ‘stakeholder engagement’ and the ‘stakeholder corporation’ or ‘stakeholder capitalism.’

Stakeholder management’s normative foundations are found in a plethora of theories including distributive justice, social contract, moral rights, Kantianism, utilitarianism, and the normative political theory of libertarianism. Not surprisingly, Schwartz and Carroll (2008: 161) assert that the deficiencies arise from the fact that many definitions (and their underlying criteria of ‘salience’ or ‘legitimacy’) are either too narrow or too broad, and it is difficult to get it ‘just right’ from either a practical managerial or a normative perspective, or both.

2.3.4 Sustainability

Schwartz and Carroll (2008: 162-163) explain that sustainability originally focused on protecting the natural environment, but over time its conceptualization broadened to include societal impacts in general, mainly through the introduction of two other concepts. One is the concept of the ‘triple bottom line’ (Elkington 1994), viz. the win-win-win of ‘people, planet and profit’, or, in its current formulation, ‘social equity, environmental quality and economic prosperity.’ The second is the concept of ‘sustainable development’, defined in the United Nations (UN) World Commission on Environment and Development’s (1987:42) report on *Our Common Future* (referred to as the Brundtland Report) as “development which meets the

needs of the present without compromising the ability of future generations.” However, neither of these should be seen to detract from the essential natural/physical environmental focus of sustainability. Schwartz and Carroll (2008: 166) refer to sustainability’s narrow version as ‘homocentric’ (I think a more current term would be ‘anthropocentric’) and the broad version as ‘ecocentric’. Schwartz and Carroll indicate that sustainability is focused on outcomes achieved through balancing processes, but again, principles are still of importance.

Schwartz and Carroll identify utilitarianism and moral rights as the main normative foundations, but they view the utilitarian focus on impacts/outcomes as a deficiency. I would suggest that the further development of the fields of environmental and development ethics (e.g. Hattingh 2002) over the past three decades has also remedied this perceived shortcoming.

2.3.5 Corporate Citizenship

Finally, Schwartz and Carroll (2008: 164-165) turn their attention to the then ‘newest kid on the block,’ corporate citizenship, which started appearing in the 1990s but gained significant momentum in the early 2000s. The original, narrower conceptualization or version focused on philanthropy or charitable activities (the fourth tier of Carroll’s pyramid), as well as community relations. The broader one (that was then gaining in popularity) is basically the equivalent of, and a competitor concept to, corporate social responsibility. They cite numerous proponents and a few definitions that highlight various unique elements, e.g. Post’s (2009: 29, cited at 2008: 164) identification of “social, political and economic responsibilities as defined through law and public policy.” They also note a trend to extend the concept into ‘global business citizenship.’

Schwartz and Carroll (2008: 165) generally view the concept as lacking significant differentiation from corporate social responsibility, and they see that as a deficiency. Oddly, at the same time, they seem to be critical of academics “working feverishly to give [corporate citizenship] legitimate status by fleshing out more concrete substance, usually taking off from the ‘citizenship’ metaphor.” Citizenship draws on normative, theoretical foundations in utilitarianism, social contract and moral rights theories, and potentially in normative political theories on the rights and duties of citizenship to all of society (not just individual stakeholders). They refer to Morrison’s (2003: 99, cited at 2008: 165) emphasis on corporate

citizenship's ability to take society-as-a-whole as a stakeholder (i.e. to focus on the public interest) as a positive contribution.

While they do not expressly say so, Schwartz and Carroll (2008: 174) seem to view corporate citizenship as focusing primarily on outcomes and processes.

2.4 Proposed Integrating and Unifying Construct: The 'VBA Model'

Schwartz and Carroll's (2008: 165) main conclusion from their analysis is that there is considerable conceptual overlap and confusion in the use of the five frameworks, particularly in their broader versions. They (2008: 168) suggest that one way to address the confusion amongst the frameworks is "to unpack or disaggregate each of the frameworks to identify core concepts or elements that potentially bind them together." The result of this second analysis is an integrative "VBA model" or framework that identifies three common—thus potentially unifying—core concepts, *viz.* creating sustainable *value* (an outcome element), achieving appropriate *balance* (a process element) and demonstrating sufficient *accountability* (a principles element). Of course, each of these concepts is supported by various normative principles, in the same manner as the constructs previously discussed. But it is the presence of the core concepts in the work of academics and professionals that indicates their potential importance.

2.4.1 Value

Schwartz and Carroll (2008: 168-169) suggest that "the fundamental element underlying the entire business and society field appears to be the generation of value." There are qualifications, however. They show that corporate social responsibility and business ethics theorists emphasize that the value generated must be not only for the long-term value maximization of the firm; rather, there must be material, long-term net societal value. Goods and services must be produced efficiently with minimal or no externalities. Value creation must also be sustainable, including environmental sustainability; and corporate citizenship theorists emphasize the importance of pursuing 'social good.' They see this as the quintessential 'outcomes' element and its primary normative justification is found in utilitarianism; however, deontological and social contract theories (and feminist theories,

though not specifically listed) and the principles of avoiding harm, doing good and caring are also informative in this regard.

2.4.2 Balance

Schwartz and Carroll (2008: 169) state, “The concept of balance suggests that striving for net societal value, a utilitarian concern, is not sufficient. There must also be a degree of balance that is maintained in addressing and appropriately responding to potentially conflicting stakeholder interests and/or moral standards.” The concept of balance, mainly a ‘process’ element, can be found in all five frameworks. They explain (2008: 170), for example, that stakeholder management focuses on the balancing of stakeholder interests and claims; corporate social responsibility focuses on balancing social and financial performance; sustainability focuses on balancing results on the triple bottom line and present and future generations; and corporate citizenship focuses on balancing stakeholder (widely conceived) needs and environmental protection.

According to Schwartz and Carroll (2008: 169-171), business ethics plays a role in providing the normative justifications of all five frameworks, particularly stakeholder management where, for example, the determination of who or what (e.g. technical ‘non-stakeholders’ such as animals and the environment) is included in the concept of ‘stakeholder’ can be significantly influenced by whether one’s thinking is informed by e.g. utilitarian, Kantian, distributive justice and/or moral rights theories, or a balance thereof. Normative principles of fairness, respect and equity can also inform this process. Schwartz and Carroll (2008: 170) state, “The notion of balancing or applying different moral standards is based on the notion of *moral or ethical pluralism*, whereby no single ethical approach or principle is deemed to be sufficient [emphasis added]” (citing Buchholz and Rosenthal 2001; De George 1999: 53). Schwartz and Carroll (2008: 170) emphasize that, within its own framework, business ethics sharply focuses on “balancing potentially conflicting moral standards (as opposed to competing stakeholder interests) by searching for the ‘ethical optimal choice between alternative options’ (citing Siebens 2002: 111). According to Buchholz and Rosenthal (1997), ‘The right act is the one which is subsumed under the *proper balance* [italics added] of rules or principles’ (p.184).”

2.4.3 Accountability

The third concept is accountability, and it is regarded as the ‘principles’ element at the core. They (2008: 171) adopt Beau and Buckley’s (2001: 58) broad definition of “being responsible to an audience with reward or sanction power.” Based on their earlier work (Schwartz and Carroll 2003), they identify the basic spheres or domains of responsibility as *economic*, *legal* and *ethical*. They (2008: 171) state, “As part of acting responsibly, accountability also suggests that business must act in a trustworthy and transparent manner. ... For there to be real accountability, business must engage in a process of providing sufficient, accurate, timely, and verifiable disclosure of all of its activities (e.g., through auditing and reporting) when such activities might affect others [citing others].” Four of the five frameworks are specifically mentioned as incorporating the concept of accountability. Corporate social responsibility implies accountability by its own terms; business ethics has taken a strong focus on corporate governance/management failures; there are well-known sustainability (as well as corporate social responsibility and accountability) reporting guidelines; and corporate citizenship requires that decision-making be made visible to (if not formally open to inputs from) interested stakeholders. Stakeholder management is not mentioned, which seems odd, given the fact that the annual financial, corporate governance, sustainability and other specialized reports (e.g. the United Nations Global Compact ‘communication on progress’ reports⁸) referred to above are produced and published specifically for the purpose of engaging with various stakeholders and enabling them to carry out their respective oversight functions.

Schwartz and Carroll view business ethics as providing the normative foundations of accountability in the form of the normative values or principles (I would add, ‘virtues’) of trustworthiness, transparency, promise-keeping, honesty, reliability, integrity and others. I discuss this further below.

By bringing these three, core concepts together, Schwartz and Carroll (2008: 172) are able to present an integrative, “normative proposition”—a statement of the proper role of business in society—as quoted below.

⁸ See <https://www.unglobalcompact.org/participation/report/cop/create-and-submit>. Of course, some of these reports, or portions thereof, are often subsumed into annual integrated reports, discussed further below.

All organizations and individuals operating within a business context have a responsibility (CSR) [corporate social responsibility] as good citizens (CC) [corporate citizenship] to (a) contribute to sustainable (SUS) [sustainability] societal *value* and (b) appropriately *balance* stakeholder interests (SM) [stakeholder management], including shareholders or owners and/or moral standards (BE) [business ethics], while (c) demonstrating sufficient *accountability*.

In its most basic formulation, the VBA integrating model is represented by the following normative equation: Value + Balance + Accountability = Proper Role of Business in Society.

Schwartz and Carroll (2008: 174) emphasize that, while all five frameworks incorporate all three concepts, corporate social responsibility focuses on societal value while sustainability focuses on both value and balance, as does corporate citizenship; stakeholder management focuses on balance; and business ethics focuses on accountability, as does corporate social responsibility. However, I am not quite in agreement with the latter assessment because, as indicated in their proposition, business ethics seems to be mainly associated with balance. However, their overall position is certainly defensible.

The VBA model, based on a Venn diagram adapted from Schwartz and Carroll's (2008: 175), is shown in Figure 1 below. I have removed some of the detail, and I have added the 'outcomes', 'processes' and 'principles' dimensions. I have also positioned the five frameworks within the Venn central overlap in accordance with their respective focus areas on value, balance and accountability, as viewed by Schwartz and Carroll and mentioned directly above.

frameworks or theoretical offshoots that have come into prominence since the writing of Schwartz and Carroll's (2008) article. However, I want to highlight a few key points made about the other four frameworks.

Firstly, Carroll and Brown (2018:48) acknowledge that the overlap between corporate social responsibility and business ethics is quite great; indeed, various authors have asserted that the one subsumes the other. They (2018: 48-49) highlight Carroll's (1979) early position that ethical responsibility is one of his four-part, pyramid construct of corporate social responsibilities: *viz.* economic, legal, ethical and philanthropic. Carroll's position has not changed over the years. In his more recent article, "Carroll's pyramid of CSR: taking another look," Carroll (2016: 5) states, "In summary, ethical motivations and issues cut through and permeate all four of the CSR categories and thus assume a vital role in the totality of CSR." However, Carroll and Brown (2018: 51) note in passing that one element that business ethics specifically brings to the party is a focus on preventing malevolent individual decision-making and behaviour in the workplace; and in my view that element is indeed critical to the mix.

Secondly, Carroll and Brown are clearer on the point that the field of stakeholder management is the 'applied form' of stakeholder theory which came to prominence together with—or as a key subfield within—the field of business ethics in the 1980s. They seem to acknowledge that stakeholder management is largely an empirical discipline that must be normatively informed by business ethics and/or corporate social responsibility. They (2018: 49-50) note that many companies now have corporate social responsibility and ethics officers, "and a number of firms have institutionalized stakeholder analysis and management as an approach to ensuring that its stakeholders are dealt with fairly and effectively;" however, they do not mention the now-commonplace stakeholder relations (or 'corporate affairs') officers usually driving that function.

Thirdly, Carroll and Brown (2018: 50-51) recapitulate that sustainability overlaps with corporate social responsibility due largely to the extension of its scope from environmental sustainability to the triple bottom line. Its unique contribution, via the extended concept of 'sustainable development' is its "long-term perspective" and "concern for future generations which has been a central concern of environmentalists for decades." (51) Fourthly, Carroll and Brown (2018: 51-52) continue to highlight the narrow (corporate community relations and philanthropy) and broader (equivalent to corporate social responsibility) conceptualization of

corporate citizenship. They see the broader view as the direct competitor with corporate social responsibility, and again report that it has found additional scope and impetus in the offshoot of ‘global corporate citizenship,’ this time citing the work of Scherer and Palazzo (2008b).

Fifthly, Carroll and Brown (2018: 52-55) give brief summaries of three new ‘competing’ concepts, *viz.* creating shared value, conscious capitalism and purpose-driven business, but I see them more as ‘theoretical offshoots’ because they do not yet meet Schwartz and Carroll’s (2008: 154) criterion of “prevalent and consistent use by the academic and business communities.”¹⁰ Finally, and most importantly, they (2018: 54-55) recapitulate the core concepts of the VBA model—*viz.* value (the outcome component), balance (the process component) and accountability (the principles component), and reassert its continuing validity. They (2018: 55) state, “Though the competing and complementary frameworks discussed in this section likely have other characteristics in common, at least the core ideas of value, balance, and accountability may be seen as tying together frameworks in a simplified and coherent manner.”

Furthermore, Carroll and Brown (2018: 56) also review a number of ‘newer avenues’ in corporate social responsibility research, one of which is of key importance to this thesis, *viz.* *political corporate social responsibility* (PCSR). They (2018: 56) explain that this ‘evolving’ concept was introduced by Dirk Matten, Andrew Crane et al. under the corporate citizenship framework as ‘extended’ corporate citizenship¹¹ and then further developed by Andreas Georg Scherer and Guido Palazzo as ‘political’ corporate social responsibility (citing e.g. Palazzo and Scherer 2008; Scherer and Palazzo 2011; Scherer, Palazzo and Matten 2014; and Maak, Pless and Voegtlin 2016).¹² Carroll and Brown (2008: 56) observe, “Studies in this realm approach CSR [corporate social responsibility] from many different philosophical perspectives but with the central theme that corporations are political actors that can and should assume social and political responsibilities beyond their legal responsibilities under democratic governance.”

¹⁰ In my view, indications of this level of acceptance by the academic community would include dedicated journals and institutes (and ultimately, so-named degrees), and such acceptance by the professional/business community would include so-named corporate officers and functions. To the best of my knowledge and experience, these three concepts are not yet featuring at these levels.

¹¹ They provide no citation but see e.g. Matten, Crane and Chapple 2003; Matten and Crane 2005; Moon, Crane and Matten 2005; Crane, Matten and Spence 2007; Crane and Matten 2008; Crane, Matten and Moon 2008.

¹² See also e.g. Palazzo and Scherer 2006; Scherer, Palazzo and Baumann 2006; Scherer and Palazzo 2008a, 2011; and Scherer, Palazzo and Matten 2009) and other publications cited in Chapter 3 below.

Indeed, Scherer and Palazzo (Scherer, Rasche, Palazzo and Spicer 2016: 276) define the phenomenon of political corporate social responsibility as follows:

PCSR [political corporate social responsibility] entails those responsible business activities that turn corporations into political actors, by engaging in public deliberations, collective decisions, and the provision of public goods or the restriction of public bads in cases where public authorities are unable or unwilling to fulfil this role. This includes, but is not limited to, corporate contributions to different areas of governance, such as public health, education, public infrastructure, the enforcement of social and environmental standards along supply chains or the fight against global warming, corruption, discrimination or inequality. These corporate engagements are responsible because they are directed to the effective resolution of public issues in a legitimate manner, often with the (explicit) aim of contributing to society or enhancing social welfare, and are thus not limited to economic motivations.

Consistent therewith, Scherer and Palazzo (Scherer 2018: 394) define the field of study of political corporate social responsibility as “normative and descriptive scholarship, aimed at advancing responsible corporate engagement with collective issues and public goods, that facilitates positive and impedes negative business contributions to society.”

Carroll and Brown (2018: 56) note that the concept of political corporate social responsibility is gaining momentum, but they place emphasis on critical work in response (citing e.g. Hussain and Moriarty 2018), and take the view that the concept is “somewhat controversial” and “there is [still] much work to be done.”

2.6 Conclusion

In my view, Schwartz and Carroll’s conceptual framework and comparative analysis of the five frameworks and their VBA model are robust and insightful, and will be useful in addressing the problems I have identified in Chapter 1. The five frameworks are those I have most frequently encountered in my professional work, and they have continued to enjoy a degree of dominance in the field of business and society to date, although some of the ‘theoretical offshoots’ have gained in academic and professional popularity. Their framework for the comparative analysis set forth in Table 1—particularly the criteria that are applied in the

comparative evaluation, and most importantly the criterion of normative ‘theoretical justification’—is sound. Of course, some of the details of the analysis are now out of date. However, based on the partial update presented by Carroll and Brown (2018) and my own reading and experience, I anticipate that a fully updated comparative analysis would very likely present a consistent picture of the similarities and differences between, and the relationships amongst, the frameworks. Furthermore, I anticipate that a fresh unpacking and analysis of the frameworks (even when adjusted) would confirm that the concepts of value, balance and accountability continue to constitute the unifying core, and would thus confirm the validity of the VBA model in the field of business and society. In Chapter 5, I note this as an area for further research.

Thus, overall, their work provides me with a basic yet robust conceptual framework for explaining the similarities, differences and relationships amongst the five frameworks in the field of business and society. It also provides me with a core construct, *viz.* ‘Value, Balance and Accountability’, that can serve as a motto for the ethics, sustainability and other officers, at least from the perspective of *business and society*. I have yet to determine whether they are also well suited for use in the context of *corporate governance* and King Committee guidance, and I shall do that in Chapter 4.

However, at the same time, there are number of noteworthy weaknesses or shortcomings of Schwartz and Carroll’s comparative framework and VBA model that I should like to point out and attempt to strengthen in Chapter 3, before proceeding to extend their research into the field of corporate governance in Chapter 4.

Chapter 3 STRENGTHENING SCHWARTZ AND CARROLL'S COMPARATIVE FRAMEWORK/ANALYSIS AND VBA MODEL

3.1 Introduction

In this chapter, I point out a few remediable weaknesses or shortcomings in Schwartz and Carroll's comparative framework and VBA model and attempt to strengthen them. There are four main weaknesses: (i) a failure to acknowledge and highlight *applied (business) ethics* as the pre-eminent sub-field in the field of business and society; (ii) a failure to highlight the link between stakeholder management (focused on balance) and reporting to stakeholders (focused on accountability); (iii) a lack of clarity regarding their use of different levels of abstraction in moral/ethical thought, i.e. formal moral/ethical theories, values, principles and virtues (VPVs), and meta-ethical theories; and (iv) inadequate recognition and accommodation of the political dimension of corporate citizenship and corporate social responsibility. I do this by incorporating key elements of their comparative framework and VBA model into what I think is a clearer and thus more useful conceptual framework or model, while at the same time addressing those weaknesses and shortcomings in turn (3.2).

Once I have done that, I reformulate the VBA value proposition (3.3) and conclude (3.4). This sets the stage for extending and applying Schwartz and Carroll's (strengthened) comparative framework and the VBA model to King Committee guidance on corporate governance in Chapter 4.

3.2 Strengthening a Few Weaknesses/Shortcomings

I first wish to present a generic, framework or diagram that I have used in my professional consultancy practice and employment for over three decades. It is, essentially, a concentric framework of squares divided into a number of sections.¹³ The resulting, geometric design enables me to represent—visually—an analysis of a topic and a number of different sub-topics at a number of levels. Essentially, this allows me to invert Schwartz and Carroll's Venn diagram and present more detail on the frameworks and their normative foundations. I explain the steps taken in constructing the framework or diagram, as presented in Figure 2, below.

¹³ It can be easily drawn using Microsoft PowerPoint and various other proprietary software.

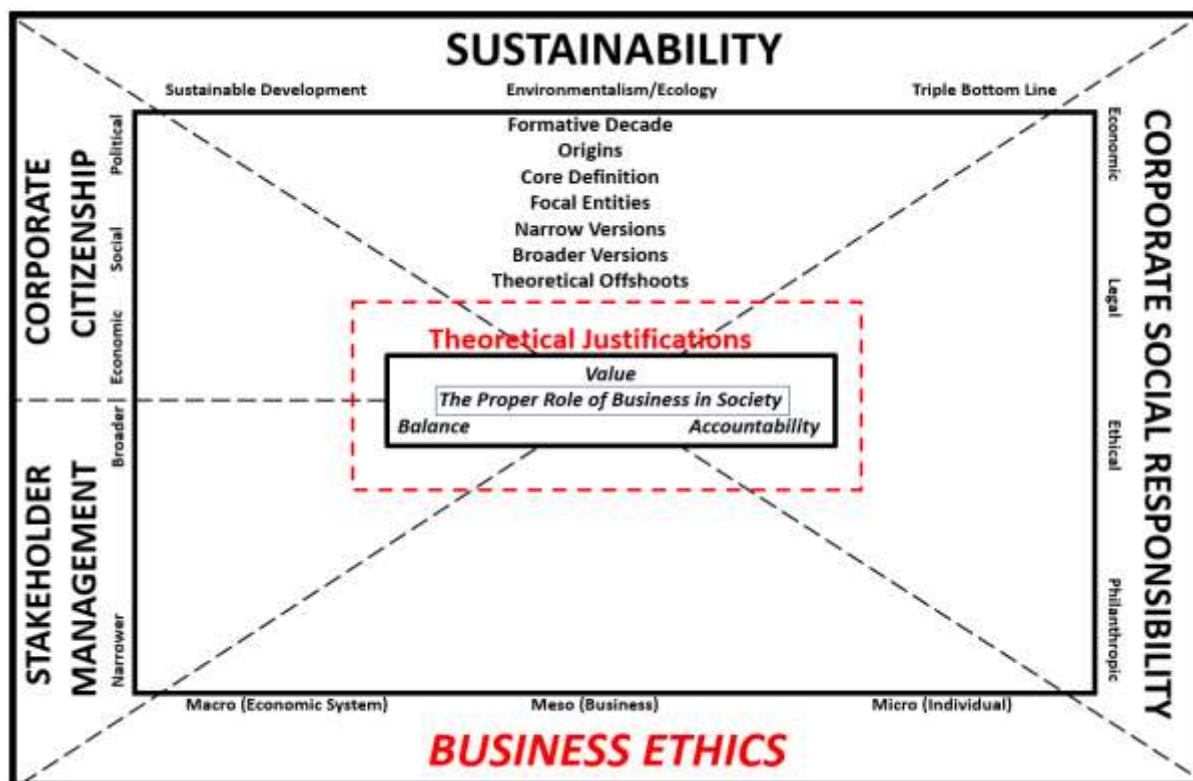


Figure 2: Basic Concentric Framework of VBA Model, Inverted.

My first step is to place Schwartz and Carroll's *five frameworks* around the periphery. Within corporate social responsibility, I highlight Carroll's (1979, cited at 2008: 157) pyramid of economic, legal, ethical and philanthropic responsibilities. Within business ethics I highlight De George's (1987, cited at 2008: 15) 'three levels of analysis,' viz. the study and justification of economic systems such as capitalism, businesses within that system, and individual morality in business transactions.¹⁴ Within sustainability, I highlight the three main dimensions of environmentalism/ecology, sustainable development and the triple bottom line concept (see citations above). Within corporate citizenship, I highlight the economic, social and political roles taken on by corporations, particularly at global level (as identified by Post (2000), cited by Schwarz and Carroll at 2008: 164). Within stakeholder management, I highlight the continuum of narrower (strictly shareholders) to broader (all stakeholders) versions/conceptualizations, as discussed in 2.3.3. I use dashed lines between the frameworks (i.e. in creating the triangular sections) to admit of their overlaps—whether competing or complementary—as explained by Schwartz and Carroll.

¹⁴ I note in passing that one could also use, for example, Goodpaster's (1983) well-known 'three levels of economic activity' that are researched, viz. macro (i.e. the economic system), meso (the organization/firm) and micro (the individual) or Rossouw and Van Vuuren's (2017: 3) "three dimensions of business as organisation and activity, viz. Economic Ethics, Corporate Responsibility and Organizational Ethics," (citing Enderle 2003; Goodpaster 1992; and Rossouw and Stueckelberger, 2012).

If one wished simply to present Schwartz and Carroll's comparative analysis, each of the other eight criteria could be summarized under each of the five frameworks, in its own concentric box. However, my focus is on *business ethics* and particularly the *theoretical justifications* of the frameworks. For that reason, the latter is identified as a key level of ethical analysis that will be expanded upon as I proceed. Both are highlighted in red italics.

My third step is to identify and locate Value, Balance and Accountability (VBA) as Schwartz and Carroll's core, unifying construct in the white box, right in the centre of the framework. It should be noted that the frameworks are positioned to correlate with their relative focus areas—as viewed by Schwartz and Carroll—on one or two of the elements of VBA (although most relate to all). The final step is to identify *the proper role of business in society* as the focal point of the analysis by its placement in the centre, as with the VBA model. The full statement of the normative value proposition is, of course, too large to fit in, but it is impliedly there.

3.2.1 Failure to Highlight *Applied (Business) Ethics* as the 'Pre-Eminent Sub-Framework' in the Field of Business and Society

I find the most significant weakness or shortcoming to be that Schwartz and Carroll—for lack of a better phrase—stated the obvious but did not give it the theoretical importance or profile that it deserves. As mentioned in Chapter 1, business ethics is not the pre-eminent framework; but what is obvious is that *applied (business) ethics* is what I would call the 'permeating sub-framework' that cuts across the five frameworks in the field of business and society, and provides the normative foundations for the core concepts of value, balance and accountability that integrate and unify the field. Schwartz and Carroll's (2008: 168) transition between the comparative analysis and the VBA analysis merits quoting in full.

An analysis of each of the five constructs reveals that despite their differences, three core concepts consistently appear, *each supported by certain normative principles*. We suggest that *in addition to their normative justification*, the presence of the three core concepts among each of the five frameworks demonstrates their perceived fundamental importance by business and society theorists and practitioners. The three core concepts include (a) value, (b) balance, and (c) accountability. This will be referred to as the VBA model or framework [emphasis added].

I appreciate that experts in the fields of business and society and the five frameworks might challenge, “Of course they did not state the obvious; that would be trite.” However, my problem is that this fact is neither obvious nor trite to most corporate directors or executives, or to corporate officers with training in only one of the five fields or frameworks (and usually in only the empirical dimensions thereof), and that is the reason why I am conducting this research. In support of my assertion, I should also like to highlight that, while Carroll and Brown (2018) appear to view corporate social responsibility as the pre-eminent framework in the field of business and society, elsewhere Carroll (2016: 5) concedes, for example, that “ethical motivations and issues cut through and permeate all four of the CSR categories [i.e. economic, legal, ethical and philanthropic responsibilities] and thus assume a vital role in the totality of CSR.” I agree, and I would further assert that academics and professionals in all five frameworks cannot practice their disciplines *fully* without at some point adopting, incorporating or otherwise taking on board some of the theory and practice of applied (business) ethics. One of my key goals in this research is to find frameworks and models that can assist them in understanding that fact. Accordingly, in order to refine my initial presentation in Figure 2, I indicate the ‘permeating’ pre-eminence of applied (business) ethics in Figure 3 by so naming the shaded box.

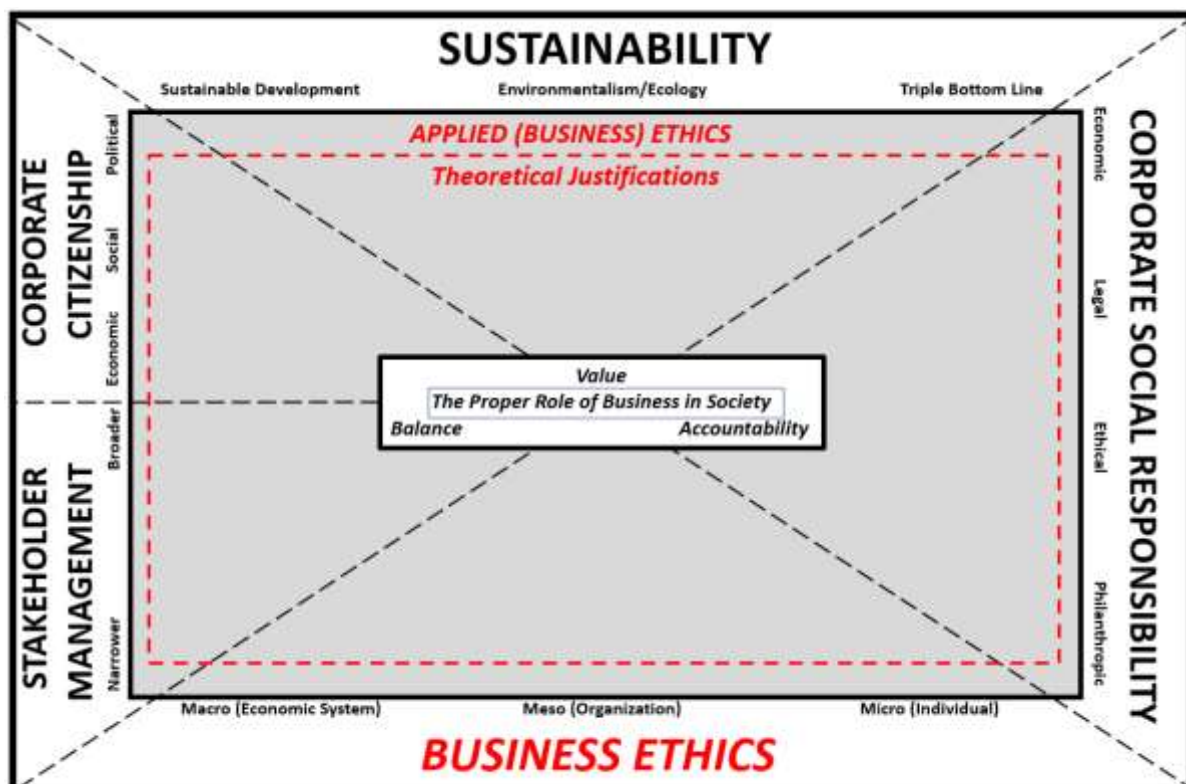


Figure 3: Basic Concentric Framework Highlighting Applied (Business) Ethics.

3.2.2 Failure to Highlight the Link between Stakeholder Management (Balance) and Reporting to Stakeholders (Accountability)

Next, in the place of stakeholder management, I adopt the framework of ‘stakeholder relations.’ At the time of writing, Schwartz and Carroll (2008: 167) identified stakeholder relations as a ‘theoretical offshoot’ of stakeholder management. However, my experience in corporate governance is that ‘stakeholder relations’ has become the more prevalent term, largely because ‘stakeholder management’ has a bit too much of a strategic and instrumental ring to it, and corporations prefer to see and portray themselves as managing their relationships, not manipulating their stakeholders.

Thus, I submit that, within stakeholder relations, there are two related but distinguishable activities, *viz.* the academically and professionally recognized field of ‘stakeholder management’ and the more professionally-determined field of ‘corporate reporting’ to stakeholders. The latter mainly takes the form of ‘integrated’ or ‘triple bottom line’ reporting. Schwartz and Carroll (2008: 171-172) expressly discuss reporting in their analysis of accountability, but—oddly—they do not link it to stakeholder management (in fact it is the only framework that they do not mention). In my view this is a weakness if not an error. In my experience, ‘accountability’—as a core concept in the VBA model—is supported by its own ‘reporting’ sub-field in the broader framework of stakeholder relations. I would further suggest that the formulation and application of guidelines and standards on corporate reporting on activities and achievements in respect of the five frameworks—which provides the foundation for accountability—is arguably becoming an important if not dominant business and society framework in its own right,¹⁵ but of course further research is required. In order to show this in the conceptual framework, in Figure 4 I locate stakeholder relations (management) in the corner nearest to balance, and stakeholder relations (reporting) in the corner nearest to accountability. They lie adjacent to business ethics, which Schwartz and Carroll view as being focused on both balance and accountability. Finally, I also highlight the three main types of corporate reporting to stakeholders, *viz.* financial reporting, sustainability reporting and the now-preferred ‘integrated’ reporting.

¹⁵ As I will show in Chapter 4, it is already a dominant framework, function and industry in the field of corporate governance. See e.g., in addition to the International Integrated Reporting Council’s (2013a) <IR> framework mentioned above, the Global Reporting Initiative’s (2013) G4 sustainability reporting guidelines and the Global Reporting Initiative’s (2020) guidance on business reporting on the United Nations Sustainability Development Goals. There are many more.

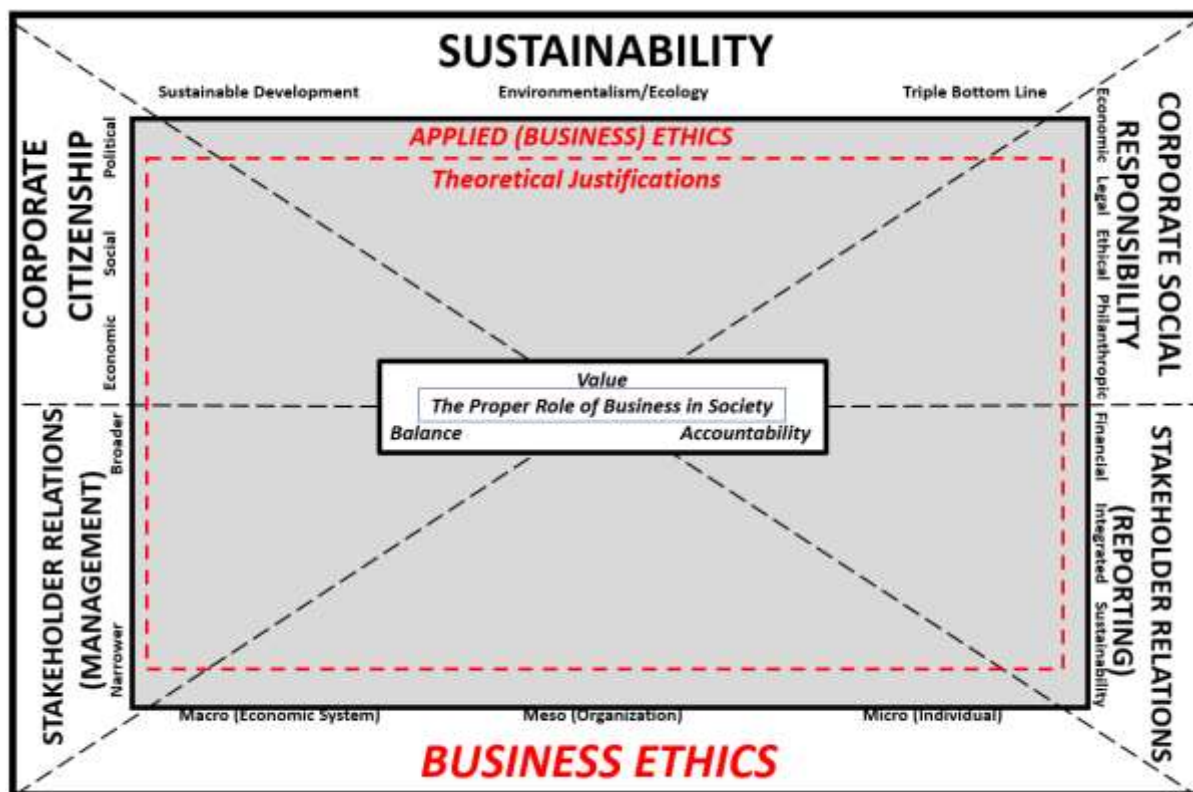


Figure 4: Basic Concentric Framework with Stakeholder Relations (Management and Reporting) Added.

3.2.3 Lack of Clarity Regarding the Use of Formal Moral/Ethical Theories, Values, Principles and Virtues (VPVs), and Meta-Ethical Theories

I observe two other weaknesses in Schwartz and Carroll's comparative framework and VBA model, *viz.* the inconsistent treatment or use of formal, moral/ethical theories and VPVs, and the lack of explanation and emphasis that moral/ethical pluralism is being used here as a meta-ethical (alternatively, a decision-making) theory.

'Theoretical Justifications' vs 'Normative Foundations'

In their comparative analysis, Schwartz and Carroll identify and compare various 'theoretical justifications' for the five frameworks. They identify (see Table 1) a significant number of formal moral/ethical theories and a couple of values or principles, *viz.* fairness and trust, under stakeholder management (see Table 1 above). However, in their discussion of the VBA model, mentions of VPVs start increasing in number and, in the VBA Venn diagram, the VPVs start pushing to the fore. There, Schwartz and Carroll (2008: 175) list—under the headings of

‘normative foundations’—a number of relevant theories, but a slightly larger number of applicable VPVs. The VPVs of caring, and of fairness and respect, are found in the value and balance circles, respectively. In respect of accountability, the VBA Venn diagram mentions the VPVs of trustworthiness, transparency, honesty, promise-keeping, reliability and integrity. My first reaction when seeing the list under accountability was, “Where are all of these VPVs coming from; and why are there no references to their underlying moral/ethical theories?”¹⁶

By undertaking some additional research, I discovered that Schwartz and Carroll are drawing upon—without citing—Schwartz’s (2005; 2002) earlier work on identifying universal moral values, principles and standards in respect of codes of ethics or conduct. In his 2005 work, Schwartz (2005: 39) posits six universal *moral values* that are (and impliedly should) be reflected in corporate codes of conduct, viz. (i) trustworthiness “(including notions of honesty, integrity, transparency, reliability, and loyalty);” (ii) respect “(including notions of respect for human rights);” (iii) responsibility “(including notions of accountability, excellence and self-restraint);” (iv) fairness “(including notions of process, equity and impartiality);” (v) caring “(including the notion of avoiding unnecessary harm);” and (vi) citizenship “(including the notions of obeying laws and protecting the environment.”¹⁷

Furthermore, in that work, Schwartz (2005: 31) takes the well-established view that from moral values are derived *moral principles*; and (2005: 31, 37-38) that various values and principles can be justified by various moral theories, e.g. utilitarianism and Kantianism as a theoretical justification for trust/trustworthiness and Kantianism as a theoretical justification for respect. However, Schwartz (2005: 39-40) takes the view that, while desirable, such justifications may not necessarily be required; and perhaps that is the reason why, in the 2008 work, none are given.¹⁸

Finally, it should be noted that Schwartz (2005: 37-38) and Schwartz and Carroll (2008: 167) appreciate the fact that many of these values and principles can also be viewed and pursued as

¹⁶ Oddly, there is no reference to responsibility and citizenship as VPVs. Perhaps (I speculate here) this is because they are self-evident as frameworks.

¹⁷ Here, Schwartz draws on the work of Josephson (1997) and others. The six values were originally identified by the Josephson Institute of Ethics in its Aspen Declaration. See also Schwartz, Dunfee and Kline (2005) where a slightly different set of six universal, core ethical values form the foundation of a proposed framework for a code of ethics for directors.

¹⁸ Also, it is important to note that, in the extended quote above, Schwartz and Carroll (2008: 168) emphasize that each of the VBA concepts is “supported by certain normative principles,” not normative *theories*.

moral/ethical *virtues*. This is implicitly reflected in Carroll and Schwartz's listing of moral virtue as a theoretical justification within the framework of business ethics in their comparative analysis.

In my view, it would have been helpful for Schwartz and Carroll to have outlined or discussed their use of formal 'normative theories' and broader 'normative foundations' including VPVs in a more systematic fashion, and then to have applied them consistently. In short, I am suggesting that listing them in the table of the five frameworks (even if provisionally, subject to the discussion of the VBA model) and reflecting them consistently in the circles of the VBA Venn diagram would have clarified and enriched them both. It is my experience that persons outside of the field of applied ethics (and some of us within) can become quite confused about these two levels of abstraction in moral thought, e.g. whether they constitute high- and mid-levels of moral theory, and how they should be applied in practice.¹⁹

Moral/Ethical Pluralism

As I have mentioned above, in order to deal with the problem of "potentially conflicting moral standards" at theoretical or VPV levels of abstraction in moral thought, Schwartz and Carroll (2008: 170) adopt the theory and approach of 'moral' or 'ethical pluralism.' This pragmatic theory and approach enjoys wide support in the field of business ethics (see e.g. Crane and Matten 2016: 123-125). However, it seems to me that Schwartz and Carroll are using moral or ethical pluralism as a meta-ethical theory—i.e. a theory about how to resolve conflicts amongst normative theories (as well as values and principles etc.).²⁰ I think that Schwartz and Carroll would have done better to have more expressly identified it as such and more clearly separated it out—particularly in their VBA diagram—from the theories and VPVs that they list as potentially informing the core concept (e.g. balance) and/or framework (e.g. stakeholder management).

¹⁹ While Schwartz (2005) and Schwartz and Carroll (2008) make no specific mention of it, it seems to me that they are leaning in the direction of principlism, a theory of and approach to applied ethics best known in the field of medical or bio-ethics. It has for many years been championed by Tom Beauchamp and James Childress (2018) in their *Principles of Biomedical Ethics*, now in its 8th edition. See Shea (2020) and other articles in that volume of the *Journal of Medicine and Philosophy* which focuses on Beauchamp's and Childress's forty years of work. See also Ainslee (2018). I note in passing that, if principlism is adopted, the balancing, meta-ethical (or decision-making) function will very likely have to be based on 'reflective equilibrium' supported by a 'common morality' as Beauchamp and Childress recommend. I note this as an area of interest for future research in Chapter 5.

²⁰ Alternatively, it may be viewed as a decision-making theory.

Adjustments to the Concentric, Conceptual Framework

In Figure 5, within the sub-field of applied (business) ethics—now complemented with the descriptor ‘normative foundations’—I have added to ‘formal theoretical justifications’ two more levels of analysis, viz. ‘values, principles and/or virtues’ (VPVs) and ‘meta-ethical theory.’ Furthermore, within those levels/boxes I place the theories, VPVs and meta-ethical theory of choice for Schwartz and Carroll, which I have teased out of Table 1 and Figure 1, and their discussion.²¹ Obviously, consistent with the frameworks, they are located in positions as near as possible to the VBA core concepts to which they are most closely related.

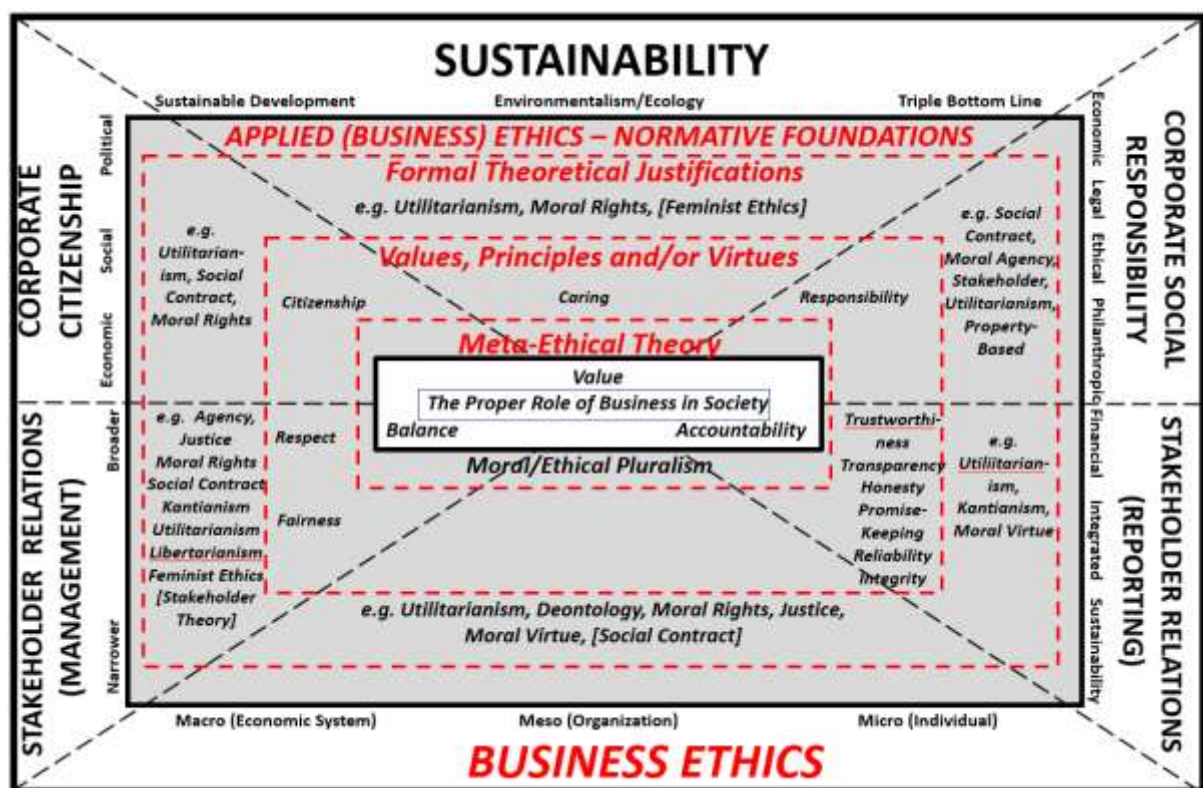


Figure 5: Full Concentric Framework.

3.2.4 Inadequate Accommodation of the Political Dimension of Corporate Citizenship and Corporate Social Responsibility

Finally, I am critical of what I view as Schwartz, Carroll and Brown's downplaying of Matten et al.'s theory of 'extended' (i.e. political) corporate citizenship and Scherer and Palazzo's

²¹ Those theories in square brackets are not specifically listed by Schwartz and Carroll in their table, but are referred to or implied in their discussion of the frameworks.

theory of ‘political’ corporate social responsibility. While both were ‘evolving’ in 2008, by 2018 they were highly evolved and, I submit that they should be acknowledged as being broadly accepted rather than a ‘newer research avenue’ that is ‘somewhat controversial.’²² One need only call to mind the significant role played by corporations in not only respecting human rights, but also promoting, assisting in the realization of and protecting human rights, which is quintessentially a state function. South African domestic and multinational corporations also, for example, support and supplement public governance efforts in education, health care, election monitoring and myriad other ‘governmental’ functions.

To explain: Writing in the early 2000s, Matten and Crane et al. identified three main conceptualizations found in academic literature and business practice: ‘limited,’ ‘equivalent’ and ‘extended.’ Limited corporate citizenship, they (Matten et al. 2003: 113) observe, focuses on philanthropic activities (essentially the same as the ‘narrow’ version of Carroll and Schwartz). Equivalent corporate citizenship is essentially the same framework or concept as corporate social responsibility—e.g. Carroll’s classic four-part pyramid model (cited in Crane and Matten, 2016: 51), complemented by their (Crane et al. 2007) model of the four dimensions of corporate responsibility (workplace, economy, society and environment), and further supplemented with the concept of corporate social performance (CSP). Extended corporate citizenship comprises three distinguishable but complementary metaphorical and material concepts of corporations, *viz.* as *citizens* and/or as *governments* or *governors* within the political community as the arena of citizenship, and as *arenas of citizenship* in their own right in respect of their stakeholders (Crane et al. 2008: 1-14). Matten et al. (Matten and Crane, 2005: 174; Crane and Matten, 2016: 73) describe the second type of extended corporate citizenship as a political governance role in which corporations administer citizenship rights, i.e. civil rights (as ‘enabler’), social rights (as ‘provider’) and political rights (as ‘channel’ or facilitator). They (Matten and Crane 2005: 172; Matten 2009; Crane and Matten 2016: 68) assert that this role is particularly important in the context of multinational business operations and globalization because liberal citizenship rights have not yet been or are no longer fully administered—or are beyond the state’s reach—in many of the states where multinational corporations operate. Thus, Matten and Crane (Matten et al. 2003; Matten and Crane 2005)

²² Of course, I do not deny that Scherer and Palazzo et al.’s theory of PCSR has its critics, see e.g. Hussain and Moriarty (2016) mentioned above, as well as Wilke and Wilke (2007); Edward and Willmott (2008); Whelan (2012); Mäkinen and Lourula (2012); Néron (2013) and (Néron and Norman 2008a, 2008b); and Frynas and Stephens (2015). However, that does not diminish the extraordinary value, and the academic and professional take-up, of this line of research and practice.

assert that use of the term corporate citizenship should be reserved to its ‘extended,’ political conceptualization, not the equivalent of corporate social responsibility.²³ Schwartz and Carroll (2008: 165) make no mention of this, save a passing reference to Matten et al.’s (2003) view that adopting the limited conceptualization would deprive corporate citizenship of any theoretical usefulness at all (which misses the main point mentioned above).

Scherer and Palazzo (2007) agree wholeheartedly with Matten et al.’s analysis and approach. However, they see the concept/theory of extended corporate citizenship as having a significant shortcoming. Scherer and Palazzo (Scherer et al. 2006: 517) warn that the political governance role is highly problematic because it raises the issue of *legitimacy*, and that issue is not sufficiently, *normatively* addressed in Matten et al.’s empirical theory of corporate citizenship. They (Scherer et al. 2006: 515) refer to this as the ‘democratic deficit’ that arises when corporations become political actors: i.e. when private corporate governance is extended into the public sphere and the arena of public governance; thus, it has to be legitimated in the same or similar ways. To be fair, Crane and Matten (2016: 73) admit that their theory of extended corporate citizenship is an empirical/descriptive theory, except insofar as it asserts that citizenship rights *ought to be* extended to all persons in a form of *stakeholder democracy*, and suggests (2005) that corporations should face greater democratic accountability. Matten et al. (Matten and Crane 2005: 174; Crane and Matten 2016: 73) agree that corporate citizenship theory is open to being justified and informed by a number of possible normative theories. Scherer and Palazzo (Scherer et al. 2006: 520; Palazzo and Scherer 2006: 78) are happy to accept this tacit invitation, and they suggest that Jürgen Habermas’s (1998; 1994) discourse theory of law and politics and his legitimacy- and solidarity-focused model/theory of deliberative democracy be among them.²⁴

Over the past fifteen years, Scherer & Palazzo (Scherer et al. 2016: 476) have systematically produced, guided and inspired a large body of multidisciplinary PCSR research in three clear workstreams in which they and a number of collaborators address the *macro* (i.e. society/systems), *meso* (i.e. organisational/firm) and *micro* (i.e. individual leadership and motivational) levels of corporate responsibility and governance, primarily in global and

²³ While their (Matten and Crane 2018) current conceptualization remains strongly political, it is not confined to that dimension (i.e. it admits of CSR-equivalent social and economic dimensions).

²⁴ Regarding Habermas’s oeuvre in general, see Finlayson (2005) and Bohman and Rehg (2018).

multinational, but also in national, business contexts.²⁵ The workstreams offer theoretical perspectives and practical advice on how a normatively acceptable, value-creating and sustainable relationship between business and society can be best understood and maintained (CSR and legitimacy); on how corporate governance and management can best be committed, structured and carried out (governing and managing for legitimacy); and how corporate leadership can best be undertaken so as to produce the outcome of corporate legitimacy and other positive outcomes (leading towards legitimacy), when corporations take on the roles of political actors, and public and private governance converge.²⁶

In summation, Schwartz and Carroll have not given sufficient prominence to the political dimensions of corporate social responsibility and corporate citizenship. It is commonplace for South African and other multinationals to take on political actor roles.²⁷ In order to show this in the conceptual framework, I expressly add—in Figure 6—extended corporate citizenship (XCC) and political corporate social responsibility (PCSR) to their respective frameworks, and list Habermas’s (2004, 2008) normative, discourse-based legal and political theories as potentially providing their theoretical justifications. For ease of sighting, they are highlighted in red italics.

²⁵ Scherer & Palazzo started their collaboration in the early 2000s and their first, co-authored articles were published in 2006 and 2007 (Palazzo and Scherer 2006; Scherer, Palazzo and Baumann 2006; and Scherer and Palazzo 2007). In 2016, they (Scherer, Rasche, Palazzo and Spicer 2016) provided a retrospective overview of the first decade of research. At the same time, Scherer (2018) also produced a retro- and prospective overview but with the specific purpose of distinguishing and defending Scherer & Palazzo’s Habermas-based, value-laden, critical theory approach to PCSR against a value-free and “more integrative pluralist research agenda” proposed by Frynas and Stephens (2015: 485). Scherer also presents a second and more pointed critical research agenda suggesting the correct way forward for PCSR research. Their (and their collaborators’) work continues to date.

²⁶ Notwithstanding their preference for the term ‘political CSR,’ Scherer and Palazzo have also co-edited a handbook on ‘global corporate citizenship’ (Scherer and Palazzo 2008a) and engaged in a fruitful collaboration with Matten et al. for a number of years (see e.g. Scherer and Palazzo 2008; Scherer, Palazzo and Matten 2009, 2014). Furthermore, Scherer and Palazzo and their collaborators (see e.g. Palazzo and Scherer 2008; Scherer and Palazzo 2008a, 2008b; and Baumann and Scherer 2010; Baumann-Pauly and Scherer 2013a, 2013b) frequently make use of Matten et al.’s concept of corporate citizenship in their work, but always with the understanding that normative concepts and democratic aspirations are being applied and pursued to address legitimacy issues arising in the context of public and corporate governance.

²⁷ For example, Vodacom Group Ltd recently announced its partnership with the African Union Development Agency (AUDA-NEPAD) to provide digital support to African governments in managing COVID-19 vaccinations across up to fifty-five countries, as well as its donations (made together with the Vodafone Foundation) of over R74m/Euro4.2m in support of vaccine rollout in its African operating countries (see <https://www.techfinancials.co.za/2021/04/12/vodacom-partners-with-auda-nepad-for-major-vaccine-roll-out/> and <https://www.vodafone.com/news/press-release/vodafone-foundation-and-vodacom-group-donate-secure-covid-vaccine-supply-its-africa>); accessed 6 April 2021.

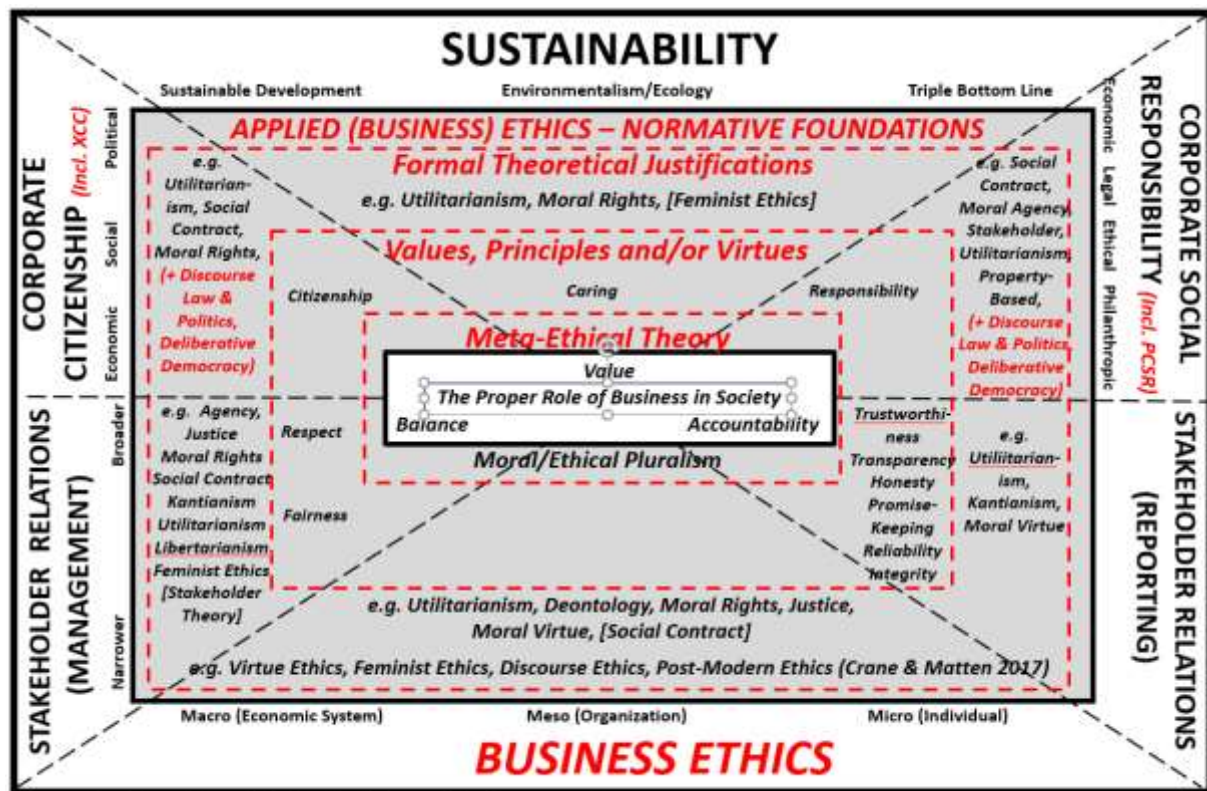


Figure 6: Strengthened/Adjusted Concentric Framework.

3.3 Restatement of the VBA Normative Proposition

Based on my proposed measures for strengthening of Schwartz and Carroll's comparative analysis and VBA model, my suggested restatement of Schwartz and Carroll's proposition on the proper role of business in society—indicating the abovementioned changes to the frameworks and their roles—would be as follows:

Corporations have an ethical (business ethics) responsibility (corporate social responsibility) as good citizens (corporate citizenship) to (i) contribute to *sustainable* net societal *value* (sustainability) and (ii) appropriately *balance* stakeholder interests (stakeholder relations - management) and moral values, principles and standards (business ethics), while (iii) demonstrating sufficient *accountability* (stakeholder relations – reporting and business ethics).

The strengthened normative proposition thus begins and ends with business ethics.

3.4 Possible Enhancement of the Strengthened Framework and VBA Model

Finally, in this section I present a possible enhancement of the strengthened framework and VBA model. I believe it to be consistent with Schwartz and Carroll's analysis, but I do not intend to undertake a thorough analysis to confirm that here. I offer the enhancement simply as something that I might well ultimately include in my explanation of the relationships amongst the five frameworks. Please note that I shall not carry it through and apply it in King Committee guidance context (in Chapter 4) until I am able to undertake such additional research, as indicated in Chapter 5.

The proposed enhancement is to show—in Figure 7 below—the interrelationship between the theories and practices in the empirical (i.e. descriptive/predictive) sub-field/-framework of business ethics *vis-a-vis* and those in the normative (i.e. prescriptive) sub-field/-framework of applied (business) ethics. In order to focus on the empirical sub-field/framework quickly and easily, I remove/hide the detail—presented in Figure 6—in the normative, applied (business) ethics boxes of formal theory, VPV and meta-ethical theory.

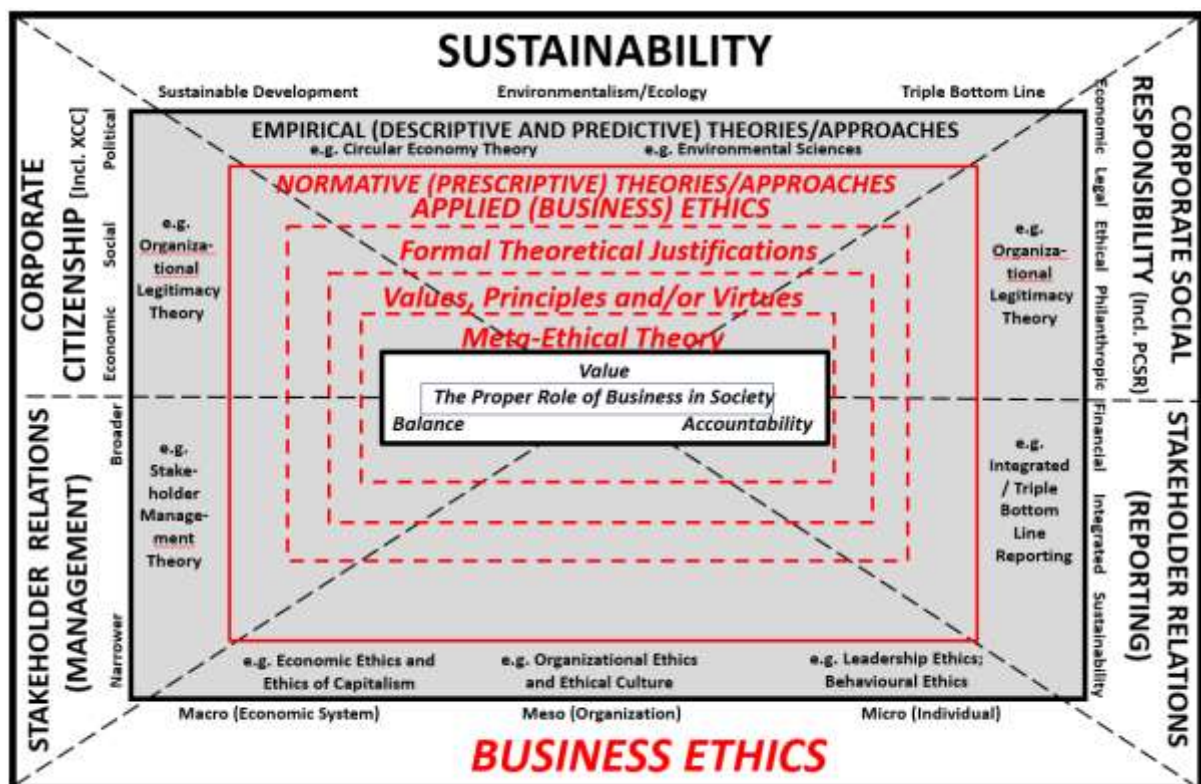


Figure 7: Enhanced (With Empirical Theories/Approaches) Framework.

The possible interrelationships—*viz.* parallel, symbiotic and integrative—between empirical and normative approaches to business ethics have been highlighted and discussed by Trevino and Weaver (1994), Weaver and Trevino (1994) and others.²⁸ The dotted line in my framework is intended to indicate or allow for the three possible relationships between them. Under business ethics, I identify, in the meso field, organizational ethics and ethical culture (see e.g. Rossouw and Van Vuuren 2017); in the micro field, behavioural ethics (see e.g. Palazzo et al. 2012 and Robertson et al. 2017) and leadership ethics (see e.g. Maak and Pless 2006, Maak, Pless and Voegtlin 2016, and Patzer, Voegtlin and Scherer 2018); and in the macro field, economic ethics and the ethics of capitalism (see e.g. Woermann 2017).

I should also like to provisionally suggest that the relationships and dynamics highlighted by Trevino and Weaver in respect of the field of business ethics also apply to academic and professional approaches in other fields or frameworks. Thus, I provisionally refer, under sustainability, e.g. to environmental sciences and circular economy theory (Murray and Haynes 2017); under stakeholder relations, e.g. to stakeholder management theory and integrated and triple bottom line reporting (citations above); and under corporate social responsibility and corporate citizenship, e.g. to organizational legitimacy theory (Suchman 1995 and Scherer and Palazzo 2007). Again, further research is required to confirm whether I am correct, as indicated in Chapter 5).

3.5 Conclusion

I think I have succeeded in strengthening Schwartz and Carroll's framework for comparative analysis and VBA model so as to highlight the importance of applied (business) ethics, and so as to make it more useful for my purposes. Having done this, I am in a position to extend their research into the field of corporate governance—and specifically, King Committee guidance on corporate governance—with a focus on the sub-framework and field of applied (business) ethics.

²⁸ See also e.g. the series of linked articles in that volume of *Business Ethics Quarterly*, 1994, 4(2); Rosenthal and Buchholz (2000); and Woermann (2013: 19-27). One can also design the concentric framework to distinguish between normative (i.e. other-interested/common good) approaches and instrumental (i.e. self-interested and strategic/instrumental) approaches in the various fields. See also e.g. Scherer and Palazzo's (2007, 2011) analyses of positivist, instrumental approaches and non-positivist, normative approaches to corporate social responsibility.

Chapter 4 EXTENDING SCHWARTZ AND CARROLL'S COMPARATIVE FRAMEWORK AND VBA MODEL INTO THE FIELD OF CORPORATE GOVERNANCE

4.1 Introduction

In this chapter I extend Schwartz and Carroll's (strengthened) framework and VBA model to assess, analyse and link together the five frameworks in the field of business and society as they have been incorporated into King IV (2016) and earlier King Committee guidance on *corporate governance*. As mentioned in Chapter 1, King Committee guidance views corporate governance as being both based on, and an expression of, ethics. Thus, more pointedly, I apply the framework and model in the 'theoretical offshoot' area of 'ethics and corporate governance' that they (2008: 166) identify in their comparative analysis (see Table 1 above). I do that with an eye to helping directors and executives—as well as the corporate officers responsible for the functions of governance, business ethics, corporate responsibility/citizenship, stakeholder relations, and sustainability—to locate and better understand the relationships amongst their respective fields and frameworks (and the possible VBA unifying construct) so that they can work in a more focused and integrated fashion.

I first explain the conceptualization of the five frameworks in King IV (4.2) and set forth the fundamental concepts, underpinning philosophies and key principles of King Committee guidance (4.3). I then highlight some of the key, theoretical normative justifications underlying King Committee guidance, using the construct of the ethics of governance and the governance of ethics (4.4). I then discuss value, balance and accountability in King IV (4.5) and briefly close the analysis and discussion (4.6).

4.2 The Business and Society Frameworks in King IV: The Four/Five Frameworks

As will be shown in section 4.3, King IV (2016) indeed recognizes the five frameworks of business ethics, sustainability, stakeholder relations, corporate social responsibility and corporate citizenship as being of primary importance to corporate governance. However, before discussing the ethics of governance and the governance of ethics, I need to highlight that King IV adopts the portmanteau framework of 'responsible corporate citizenship,' which

combines the latter two. Thus, there appear to be only four. For this reason, I shall often refer to them in this chapter as the ‘four/five frameworks.’

As highlighted in Chapter 3, Matten et al. assert that the term and concept of corporate citizenship should not be used as the equivalent of corporate social responsibility or all that falls within the umbrella concept of corporate responsibility. Rather, it should be reserved for use with regard to an *extended* conceptualization of corporate citizenship focused on the *political dimension* of the relationship between business and society. However, over the course of three reports, King Committee guidance has taken a different—almost the opposite—approach, combining corporate social responsibility and corporate citizenship (as well as the triple bottom line or ‘triple context’ elements of sustainability) in the portmanteau concept of responsible corporate citizenship.

To explain, in King II (2002: 96) ‘corporate citizenship’ was adopted as the preferred umbrella term for describing the relationship between business and society. Unfortunately, the concepts of corporate citizenship and corporate social responsibility were completely conflated, and no distinction was made between the economic, social and environmental, and the civic/political, dimensions thereof. King III (2009: 118) had to remedy this defect, and did so by clearly subordinating corporate social responsibility as “an important and critical component of the broader notion of corporate citizenship. One is a good citizen, *inter alia*, by being socially responsible.” Thus, King III (2009: 118) defines ‘corporate citizenship’—smartly slipping in the term ‘responsible’—as follows:

Responsible corporate citizenship implies an ethical relationship of responsibility between the company and the society in which it operates. As responsible corporate citizens of the societies in which they do business, companies have, apart from rights, also legal and moral obligations in respect of their economic, social and natural environments. As a responsible corporate citizen, the company should protect, enhance and invest in the wellbeing of the economy, society and the natural environment.

King IV (2016: 11), on the other hand, takes a more ‘political’ approach and defines *corporate citizenship* (and thus corporate citizenship *status*) on “the recognition that the organisation is an integral part of the broader society in which it operates, affording the organisation standing as a juristic person in that society with rights but also responsibilities and obligations. It is also

the recognition that the broader society is the licensor of the organisation.” It acknowledges the interdependency of the corporation and society, a notion which—as mentioned above—is “supported by” the African concept of *Ubuntu* (more on this below).

Fortunately, in their King-aligned textbook on business ethics, Rossouw²⁹ and Van Vuuren (2017: 30, 37-39) have brought some clarity to all this by explaining that responsible corporate citizenship should be understood as a combination of (i) a ‘narrow’ (Matten’s ‘extended’) view of corporate citizenship that focuses on the civic³⁰ and political rights and responsibilities of corporations in the political dimension with (ii) a ‘broader’ (Matten’s CSR ‘equivalent’) view that focuses on corporate responsibility’s workplace, economic, social and environmental dimensions. Rossouw and Van Vuuren (2017: 39) highlight that the advantage of adopting this approach is that social and environmental responsibilities—like civic and political ones—are no longer optional: “The only choice that the corporations [sic] has is whether it will act as a responsible or irresponsible citizen of that social and natural ecosystem.”

Having explained the framework of ‘responsible corporate citizenship’, I can now turn to the analysis of the governance of ethics and the ethics of governance, and how it provides an overarching ethical construct for the four/five frameworks, based on *business ethics*.

4.3 The Governance of Ethics, the Ethics of Governance and Business Ethics

As mentioned in the introduction, King Committee guidance features the two-pronged construct of the ethics of governance and the governance of ethics (first formally introduced in King III 2009: 25). All five frameworks can be located within it. In this section, I present and briefly analyse King IV guidance under the two prongs of this construct. Rossouw (2020: 2024-2045) has provided an insightful and helpful historical overview of the evolution and refinement of the construct from King I (1994) through King IV (2016), and my explanation of it here draws heavily on his analysis.³¹ However, it should be noted that I have a slightly

²⁹ Rossouw served on working committees of King III (2002) and King IV (2016).

³⁰ Rossouw and Van Vuuren’s notion of civic duties is derived from Neron and Norman’s (2008a, 2008b) argument that corporate citizenship should refer to a basic set of civic duties—e.g. charitable giving, contributing to/not harming local communities, obeying laws, embodying economic virtues e.g. fair competition, and ethical political engagement—but stopping short of becoming full political actors as proposed by Matten et al. King I’s (1994: 26) early notion of a ‘decent [corporate] citizen’ captured these responsibilities.

³¹ Rossouw and others have previously analysed the governance of ethics and other philosophical underpinnings of King Committee II guidance (see e.g. Rossouw 2002, 2005a, 2005b, 2008, 2009a, 2009b; and West 2006, 2009), but not King III. This welcome piece of research brings his analyses up to date.

different (but reconcilable) perspective on the elements of the construct and how they fit together.³² The basic structure of the construct is shown in Figure 8 below, and explained in the following subsections.

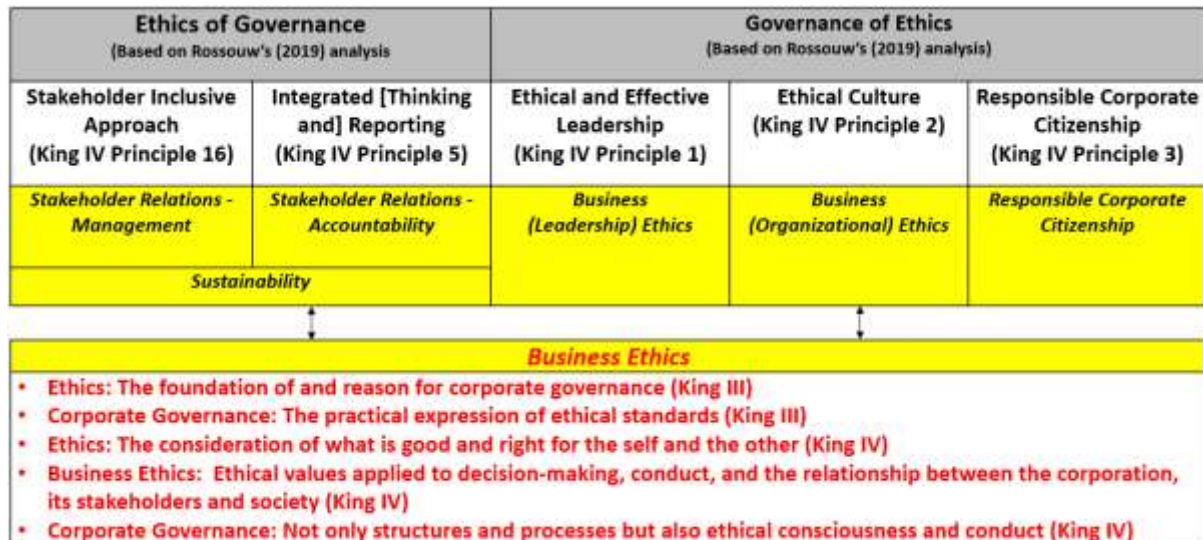


Figure 8: The Ethics of Governance, the Governance of Ethics and the Five Frameworks

4.3.1 The Ethics of Governance: Stakeholder Relations and Sustainability

Rossouw (2020: 187) states, “The *Ethics of Governance* revolves around the question: ‘In whose interest should the corporation be governed?’” As Rossouw (2020: 187-192) highlights, King Committee guidance has consistently and firmly rejected the school of thought—prevalent in the West and other countries following liberal democratic, political (and related economic) philosophies—that corporations are the property of their owners and should be governed in the shareholders’ interests, i.e the *shareholder-centric approach* (citing Donaldson and Walsh 2015). From the outset, King Committee guidance accepted and then repeatedly confirmed that it belongs to the school of thought that the corporation is an entity—a juristic person—that cannot truly be owned (as the shareholders’ ‘property’) and should be governed in its own interest. That school of thought recognizes that a corporation is the self-centred link or nexus between a range of stakeholders who also have legitimate interests and expectations that are worthy of serious consideration in the assessment of risk, the formulation of strategy,

³² In short, the main difference is that Prof. Rossouw discusses most of what I shall highlight in 4.3.3—under the general heading of business ethics—under the governance of ethics topic of ethical leadership. I should also like to note that, in most of his work cited in the footnote above, Prof. Rossouw focuses his descriptions and discussions of the ethics of governance on the normative corporate governance concept of stakeholder inclusivity and its underlying normative stakeholder theory.

decision-making and action. Thus, King Committee guidance champions the concept and philosophy of a stakeholder-centric or *stakeholder-inclusive approach*, based on normative stakeholder theory.

As indicated in Chapter 2, in my view there are two distinguishable dimensions of stakeholder relations: stakeholder management and stakeholder accountability (i.e. accountability to stakeholders). King Committee guidance does not expressly adopt this conceptualization, but I think it is implied. In King III (2009), these two dimensions are discussed in chapters 8 and 9 on ‘governing stakeholder relationships’ and ‘integrated reporting and disclosure’. In King IV, they are treated in two principles, Principle 16 on stakeholder relations and Principle 5 on integrated reporting, as explained below.

Stakeholder Relations - Management

While the underpinning philosophy of stakeholder inclusivity permeates King Committee guidance and all four frameworks, it is expressly translated into a formal principle in Principle 16 of King IV. Principle 16 (2016: 71) on the governance of stakeholder relations provides, “In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interest, and expectations of material stakeholders in the best interest of the organisation over time.” However, King IV (2016: 17) more fully defines it as “[a]n approach in which the governing body takes into account the legitimate and reasonable needs, interests and expectations of all material stakeholders in the execution of its duties in the best interest of the organisation over time.” King III (2009: 122) defines “legitimate interests and expectations” as those that “could be concluded to be valid and justified on a *legal, moral or ethical* basis in the circumstances by a reasonable and informed party [emphasis added].” Obviously, as used in this context, ‘legitimate’ is a distinctly normative concept, not just an empirical/descriptive one about what might be seen or perceived to be legitimate by various parties. Finally, it is stakeholders that bring their sustainability or ‘triple context’ economic, social and environmental—as well as their political, e.g. human rights—concerns to the attention of corporations.

Stakeholder Relations - Accountability

King IV Principle 5 states that the board “should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation’s performance and its short, medium and long-term prospects.” As Rossouw (2020: 2025) notes, King Committee guidance has consistently emphasized the importance of reporting to stakeholders in an integrated manner on matters relating to the sustainability of the corporation and its impacts on the sustainability of society and the planet.

King II’s (2002: 96-132) single section on *integrated sustainability reporting* treated all of the topics of ethical practices and organizational integrity, Ubuntu (explained below), corporate citizenship, stakeholder relations, social and transformation issues and others. King III (2009: 13) advises that “[b]y issuing integrated reports, a company increases the trust and confidence of its stakeholders and the legitimacy of its operations.” However, after many years of effort by Prof. King and others, integrated reporting has now reached a highly sophisticated stage of development and it has been incorporated into King Committee guidance through King IV’s (2016: 28) adoption of the conceptualization of integrated reporting based on the International Integrated Reporting Council’s (2013a; see also 2011 and 2013b) standards on integrated reporting (<IR>).³³ Technically, corporations are not required by King IV principles or practices to adopt the <IR> approach, but <IR> definitions and concepts have now been woven into the explanatory text of King IV to such an extent that it is difficult to imagine how any other standard could be adopted.

Sustainability

In addition, it is critical to note that—in the context of stakeholder inclusivity—King Committee guidance (in King III 2009: 1 and King IV 2016: 26) has consistently viewed *sustainability* achieved through *sustainable development* as “the primary moral economic imperative of the 21st century.”

³³ See also the World Business Council for Sustainable Development’s (2014) guidance on integrated reporting in South Africa.

4.3.2 The Governance of Ethics: Business (Leadership and Organizational) Ethics and Responsible Corporate Citizenship

As further explained by Rossouw (2019: 192-195), the *governance of ethics* has three key dimensions that are set forth in Part 1 of King IV on Leadership, Ethics and Corporate Citizenship Chapter 1 (and the corresponding Chapter 1 of King III on Ethical Leadership and Corporate Citizenship). The first is the underpinning philosophy of ethical and effective leadership, as required by King IV Principle 1, based on what can be variously described as the characteristics (or virtues) of directors and boards (King IV) and/or governance values and duties (King III) of integrity, competence, responsibility, accountability, fairness and transparency.³⁴ King IV Principle 1 (2016: 43) states, “The governing body should lead ethically and effectively.” The second dimension is the governance and management of organizational ethics, as required by King IV Principle 2 (2016: 44), which provides, “The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.” Organizational ethics is, of course, one of the most well-established branches of the field of business ethics.³⁵

The third dimension is the governance and management of social ethics based on the portmanteau concept or philosophy of responsible corporate citizenship as explained above. Principle 3 of King IV (2016: 45) states, “The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.” The recommended practices under this principle call upon boards to ensure compliance with the Constitution of South Africa (including the Chapter 2 Bill of Rights) (Republic of South Africa 1996), applicable laws and adopted standards; to ensure the corporation’s purpose, values, strategy and conduct are consistent with such citizenship; and to oversee and monitor how the corporation’s activities and outputs in the corporate social responsibility areas of workplace, economy, society and the environment (I would suggest adding ‘polity’) affect its status as a responsible corporate citizen.

Having presented the ethics of governance and the governance of ethics so as to confirm the alignment of King IV’s four/five frameworks with Schwartz and Carroll’s five business and

³⁴ This is explained further in section 4.4.2 below.

³⁵ See e.g. Part 6 of Rossouw and Van Vuuren 2017: 207-344; Van Vuuren 2016; Van Vuuren 2018; and Rossouw and Van Vuuren 2020.

society frameworks, and to confirm the pre-eminence of business ethics in its guidance, I am now in a position to highlight some of King Committee guidance's key, normative, theoretical justifications/foundations; values, principles and virtues (VPVs); and meta-ethical theories/approaches.

4.3.3 Business Ethics

King III (2009: 21) states that “ethics is the foundation of and reason for corporate governance” and conversely, that “corporate governance is the practical expression of ethical values and standards.” King IV (2016: 12) defines ethics as the consideration of “what is good and right for the self and the other, and can be expressed in terms of the golden rule, namely to treat others as you would like to be treated yourself. In the context of organisations ethics refers to ethical values applied to decision-making, conduct, and the relationship between the organisation, its stakeholders and society.” King III (2009: 118-119) states that business ethics “refers to the ethical values that determine the interaction between a company and its stakeholders.” It should also be noted that King IV (2016: 22) adopts a combined, empirical and normative approach; that is, good corporate governance requires a combination of “effective structures and processes and ethical consciousness and conduct.” Thus, I am of the view that *business ethics* has been expressly adopted as the integrating-if-not-unifying business and society framework of King Committee guidance on corporate governance. For that reason, I have highlighted it in red in Figure 8.

4.4 Normative Theoretical Foundations, VPVs and Meta-Ethical Theories/Approaches

4.4.1 Normative Theoretical Foundations

Generally, it can be stated that there are no consistent, specific references to any formal moral or ethical theory in King Committee guidance, save one. From King II through King IV (2002: 96; 2009: 10, 23; 2016: 24), King Committee guidance has stated that corporate governance should be based on the African concept of *Ubuntu* (in isiZulu) or *Botho* (in Sesotho) and the

moral norms and duties derived therefrom.³⁶ Although only basically defined and conceptualized in the reports, Ubuntu is intended to serve as the normative core of King Committee guidance, particularly in respect of responsible corporate citizenship; however, it permeates stakeholder relations and sustainability as well. King IV (2016: 24) translates Ubuntu as “I am because you are; you are because we are,” and focuses on the concept of interdependence.

King III (2009: 128) defines Ubuntu as “humaneness” and “the philosophy of ubuntu includes mutual support and respect, interdependence, unity, collective work and responsibility.” King III (2009: 23) elsewhere adds, “It involves a common purpose in all human endeavour and is based on service to humanity (servant leadership).” While Ubuntu can also be viewed as a value, principle or virtue (VPV), in the past few decades, Ubuntu has developed into a formal philosophical theory with ontological, epistemological and ethical branches and an extensive literature.³⁷ The work in ethics includes work on applied (business) ethics (see e.g. Taylor 2011 and Woermann and Engelbrecht 2019).³⁸ However, notwithstanding the emphasis on Ubuntu in King Committee guidance, the full range of normative, moral/ethical theories underlying the five frameworks—identified by Schwarz and Carroll (as well as Rossouw)—are all still there.

4.4.2 Values, Principles and Virtues (VPVs)

King Committee guidance does, however, expressly posit a number of VPVs that are important to good corporate governance; thus, the guidance expressly adopts the value-based ethics and values-based management approaches. As noted above, King IV (2016: 12) defines ethics as the consideration of “what is good and right for the self and the other” and, in organizational context, “ethical values applied to decision-making, conduct, and the relationship between the corporation, its stakeholders and society.” King III (2009: 118-119) states that (i) “describing conduct as ‘good’ or ‘right’ means measuring it against standards, called ‘values’;” (ii) values are “convictions we hold about what is important in our character and interactions with others,”

³⁶ It is expressed as ‘*uMuntu ngumuntu ngabantu*’ in isiZulu and *Motho ke motho ka batho* in Sesotho. King IV refers to them together; I use only the isiZulu term here, simply for the sake of convenience.

³⁷ See e.g. Mangena 2012, 2015+ (see the bibliography for an explanation of the ‘+’) and 2016; and Metz 2007 and Metz and Gaie 2010.

³⁸ Metz has extended his work into the field of business ethics (see Metz 2018), human rights law (Metz 2011), medical/bioethics (see e.g. Metz 2010, 2012, 2017) and many other fields. For citations to some of his more recent work see <https://www.uj.ac.za/contact/Pages/Prof-Thaddeus-Metz.aspx>; accessed on 9 April 2021.

(iv) these values “translate into behavioural commitments (principles) or behavioural directives (standards, norms and guidelines);” (v) a “clash of ethical principles results in an ethical dilemma;” and (vi) “[w]e need to employ ethical reasoning and deliberation to resolve ethical dilemmas.” I first focus on items (i) through (iv) here; then treat points (v) and (vi) in subsection 4.4.3 that follows.

As indicated above, from King I (1994: 25) through to King IV (2016: 12) the Golden Rule—a principle—has served as a key normative principle informing King Committee guidance. ‘Do unto others as you would be done by’ is the most basic and core ethical maxim. However, there are also between four and six other VPVs that have featured consistently in King Committee guidance.

King II (2002: 103) referred to six, “[c]ore ethical *principles* that all companies should aspire to [emphasis added],” viz. “fairness, transparency; honesty; non-discrimination; accountability and responsibility; and respect for human dignity, human rights and social justice [numbering omitted].” King III (2009: 8, 21-22) requires that “all deliberations, decisions and actions of the board and executive management to be based on the following *four ethical values* underpinning good corporate governance,” viz. responsibility (keeping “the company on a strategic path, that is ethical and sustainable”), accountability (being “able to justify corporate decisions and actions to shareholder and other stakeholders”), fairness (giving “fair consideration to legitimate interests and expectations of all stakeholders”) and transparency (disclosing “information in a manner that enables shareholders to make an informed analysis of the company’s performance, and sustainability”). However, King III (2009: 8) also states that responsible, effective leadership is “*characterised by the values of responsibility, accountability, fairness and transparency [emphasis added]*”, a blend of values and virtues.³⁹ Finally, Principle 1 of King IV (2016: 43) now calls upon individual directors and boards to “individually and collectively cultivate” six “characteristics”—i.e. *virtues*—and to “exhibit them in their conduct”, viz. integrity, competence, responsibility, accountability, fairness and transparency.

³⁹ In addition, in King III (2009: 56), directors have *moral duties* of conscience, inclusivity of stakeholders, competence, commitment, and courage to act with integrity.

Again, as pointed out in Chapters 2 and 3, these VPVs can be seen as having been derived from or based on a number of normative moral theories, e.g. Kantianism and virtue ethics.

4.4.3 Meta-Ethical Theories and Approaches

I now turn to King III's (2009: 118-119) guidance on dilemmas and ethical decision-making, i.e. that (v) a "clash of ethical principles results in an ethical dilemma" and (vi) "[w]e need to employ ethical reasoning and deliberation to resolve ethical dilemmas." The resolution of dilemmas is an important matter in corporate governance, particularly in the context of multinational operations where considerable ethical (in the sense of values) and moral (in the sense of 'universal' norms) dissensus can arise. As Schwartz and Carroll (2008: 170) and Crane and Matten (2016: 123-125) have highlighted, one way of resolving or managing moral dissensus is to adopt the moral/ethical pluralism approach. King Committee guidance has adopted this approach, not explicitly but implicitly. As noted above Ubuntu, utilitarian, deontological (including the constitutional social contract and moral/legal rights) and virtue theories are explicitly mentioned or implicitly invoked in King IV's (2016: 23-26) discussion of the underpinning philosophies of the report, as well as in various principles and practices (note, for example, the emphasis on VPVs in Principle 1 on ethical leadership (2016: 43-44) and rights in Principle 3 on responsible corporate citizenship (2016: 45)).

Furthermore, while King Committee guidance does not recommend specific theories or approaches to 'ethical reasoning' and 'deliberation', I would suggest that profitable avenues for fleshing out these concepts may include moral dilemma-resolution approaches (i) based on procedural norm-generation (see Crane and Matten (2018:xx) such as Habermas's (1990, 1993) theory of discourse ethics, (ii) Rossouw's (2004; Rossouw and Van Vuuren 2017: 217ff) dilemma-solving procedure called 'Rational Interaction for Moral Sensitivity' (RIMS), which does not produce norms (it is not intended to) but does produce morally defensible solutions or outcomes in cases of moral dissensus; or, (iii) in cases of extreme moral dissensus, Habermas's discourse theories of law and politics and deliberative democracy (i.e. the adoption of a Scherer

and Palazzo-style (2007; 2011) ‘political corporate social responsibility’ approach). I identify this as a possible area for further research in Chapter 5.^{40 41}

4.5 The Core Concepts of Value, Balance and Accountability

Finally, and perhaps most importantly, in this section I analyse whether Schwartz and Carroll’s VBA model and proposition can be found in and confirmed by King Committee guidance on corporate governance. Of course, having inverted the VBA Venn model in my concentric framework, I now have to approach the analysis from the opposite direction of Schwartz and Carroll, i.e. starting with the core concepts of the VBA model—value, balance and accountability—and explaining how each of them incorporates the four/five frameworks (which in turn are informed and supported by various formal theories and VPVs). In short, Schwartz and Carroll unpacked and analysed the five frameworks in search of the core concepts/construct, while I unpack and analyse the concepts/constructs in search of the frameworks. In terms of the concentric framework, I now work from the inside, out.

4.5.1 Value

In King IV, the concept of value creation incorporates the framework of *sustainability*. In King IV’s (2016: 3) foreword, Prof. King states that “the United Nations Sustainable Development

⁴⁰ For example, one can easily imagine the difficulties a South African corporate corporation might face should it attempt to comply with King Committee guidance (King III 2009: 23) in respect of extending its domestic promotion and protection of moral and constitutional rights to non-discrimination in respect of sexual orientation to its operations in a country such as Tanzania, where same-sex relations are a crime. (See also the publication of the UN Office of the High Commissioner on Human Rights (2011) in this regard.) I suggest that, in such cases, corporations may well have to adopt a normative legal and political theory/approach that is based on dialogical reasoning and discourse or deliberation, e.g. the Habermasian deliberative democracy theory/approach which underpins Scherer and Palazzo’s (2007, 2011; Palazzo and Scherer 2006) theory of *political corporate social responsibility*. Of course, this assertion requires more research before it can be taken seriously, and I put that on my future research agenda in Chapter 5.

⁴¹ Again, I should like to note that King Committee guidance—with its focus on values and principles—also seems to be leaning in the direction of principlism, which merits further research. However, adopting principlism would also require the inclusion of additional meta-ethical theories/approaches such as Rawls’s ‘reflective equilibrium’ and that of ‘common morality’, both of which have been taken up in Beauchamp and Childress’s work over time. See e.g. Ainslee (2018: 2101). Ainslee (2018: 2103) also suggests that, potentially, Beauchamp’s and Childress’s “best reply to the challenge that they fail to take pluralism seriously enough would be to replace the common morality justification of the principles with one modelled on the notion of an *overlapping consensus* that Rawls develops in his 1993 book, *Political Liberalism*.” My point is that, in corporate governance, one must constantly be prepared for ethical/moral deliberations to become political ones.

Goals,⁴² which were agreed by all governments in 2015, the Africa 2063 Agenda⁴³ and the (South African) National Development Plan 2030 (NDP)⁴⁴ have a common theme of value creation that is accomplished in a sustainable manner. This is a fundamental concept of King IV.” Principle 4 of King IV (2016: 47) requires that the governing body “appreciate that the organisation’s core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.” King IV (2016: 11) defines “creation of value” as the “positive consequences of the organisations’ business activities and outputs on the triple context in which the organisation operates, and the capitals it uses and affects.”

Value creation also incorporates the normative concept of stakeholder inclusivity, the framework of *stakeholder relations*, and stakeholder management in particular. The stakeholder inclusive approach involves—according to King IV’s (2016: 17) definition—the governing body giving “parity to all sources of value creation, including among others, social and relationship capital as embodied by stakeholders.” King IV (2016: 17) adopts the <IR> (IIRC 2013: 33) definition of stakeholders, i.e. “Those groups or individuals that can reasonably be expected to be significantly affected by an organisation’s business activities, outputs of outcomes, or whose actions can reasonably be expected to significantly affect the ability of the organisation to create value over time.” King IV (2016: 25, citing IIRC 2013a: 10) states, “There is an interdependent relationship between the organisation and its stakeholders, and the organisation’s ability to create value for itself depends on its ability to create value for others.” Through this emphasis on creating value for others, value creation is linked to *business ethics*. King IV (2016: 17) emphasizes that stakeholder inclusivity is “[a]n approach in which the governing body takes into account the legitimate and reasonable needs, interests and expectations of all material stakeholders in the execution of its duties in the best interests of the corporation over time.”⁴⁵

Value creation is linked to the value, principle and virtue of responsibility and the framework of *responsible corporate citizenship*. In describing responsible corporate citizenship, King IV

⁴² For more information, visit the website of the UN Department of Economic and Social Affairs: Sustainable Development at <https://sdgs.un.org/2030agenda>; accessed 20/04/2021.

⁴³ For more information, visit the website of the African Union at <https://au.int/en/agenda2063>; accessed 20/04/20.

⁴⁴ For more information, visit the website of the South African Government at <https://www.gov.za/issues/national-development-plan-2030#>; accessed 20/04/2021.

⁴⁵ Again, ‘legitimate’ needs, interests and expectations are defined as those based on moral, ethical or legal grounds; see King III (2009: 122).

(2016: 25) highlights that section 7 of the Companies Act (Republic of South Africa 2008) “reaffirms the concept of the company as a means of achieving economic and social benefits,” i.e. sustainable, net social value creation.

Finally, as mentioned above, in adopting the IIRC <IR> approach, King IV incorporates the concept of ‘integrated thinking’ into its fundamental concepts and underpinning philosophies. King IV (2016: 24) states that integrated thinking is specifically intended to take “account of the connectivity and interdependencies between the range of factors that affect an organisation’s *ability to create value over time*. Integrated thinking underpins all of the following: seeing the organisation as an integral part of society and thus as a corporate citizen; the stakeholder-inclusive approach, sustainable development; and integrated reporting [emphasis added].” Thus, in King IV, value and value creation integrates and unifies all four/five frameworks.

4.5.2 Balance

In King IV, balance is most directly related to and incorporates the framework of *stakeholder relations*, and stakeholder management in particular. Principle 16 (2016: 71) provides, “In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interest of the organisation over time.” This long-term view on balance further integrates the framework of *sustainability*, and in turn, *responsible corporate citizenship*. King IV highlights the balance between the interests of existing and future generations (2016: 26; citing the UN Brundtland Report (United Nations 1987)) by stating, “Sustainable development, understood as ‘development that meets the needs of the present without compromising the ability of future generations to meet their needs’, is a primary *ethical and economic imperative*. It is a fitting response to the organisation being an *integral part of society*, its status as a *corporate citizen* and its *stakeholders’* needs interests and expectations [emphasis added].”

Balance is closely related to the VPV of fairness. King IV (2016: 12) defines fairness as follows: “Fairness refers to the equitable and reasonable treatment of the sources of value creation, including relationship capital as portrayed by the legitimate and reasonable needs, interests and expectations of material stakeholders of the organisation.” In discussing ethical

leadership, King IV (2016: 44) states that fairness means that “[m]embers of the governing body should adopt a stakeholder-inclusive approach in the execution of their governance role and responsibilities” and that “[m]embers of the governing body should direct the organisation in such a way that it does not adversely affect the natural environment, society or future generations,” i.e. fairness ensures sustainability. Thus, fairness—perhaps the core VPV of balance—permeates and links the *stakeholder relations* and *sustainability* frameworks.

King III provides further insight into balance’s and fairness’s linkages with *business ethics*. As noted above, King III (2009: 123) defines legitimate interests and expectations as those that “could be concluded to be valid and justifiable on a legal, moral or ethical basis in the circumstances by a reasonable and informed party.” However, it is a certainty that conflicting claims based on conflicting VPVs will arise from time to time, resulting in moral or ethical dissensus and dilemmas. Thus, while balance and fairness are generally reinforcing concepts, in some situations they can become juxtaposed. King III (2009: 102) states,

Board decisions on *how* to balance interests of stakeholders should be guided by the aim of ultimately advancing the best interests of the company. ... This does not mean that a company should and could always treat all stakeholders fairly [underlined emphasis added]. Some may be more significant to the company in particular circumstances and it is not always possible to promote the interests of all stakeholders in all corporate decisions. It is important, however, that stakeholders have confidence that the board will consider their legitimate interests and expectations in an appropriate manner and guided by what is in the best interests of the company.

In short, stakeholders may more graciously accept being unfairly treated in a given circumstance if they and their concerns have—in the context of regular stakeholder relations—been fairly heard and considered. As indicated above, the resolution of such dilemmas will very likely involve the adoption of moral/ethical pluralism and, I suggest, could and should involve the adoption of discourse theory approaches to decision-making that focus on legitimacy.

Finally, King III (2009: 29, 76) highlights two other types of balance that boards have to achieve., viz. between performance and conformance (or control/compliance), which integrates the framework of *responsible corporate citizenship*, and between risk and reward. In

summation, in King Committee guidance, the concept of balance also has an integrating function with regard to all four/five frameworks.

4.5.3 Accountability

Accountability is defined in King IV (2016: 9) as, “[t]he obligation to answer for the execution of responsibilities.” It is important to stress that King IV often talks about accountability in the narrow sense of the legal and moral accountability of the directors and the board to the corporation, and in some limited respects, to shareholders and regulators. However, King IV also talks about accountability in the broader sense of both director/board and *corporate* accountability to all stakeholders, and this is done mainly with reference to integrated thinking and reporting.⁴⁶ King IV (2016: 21) describes the board’s primary roles and responsibilities as (i) steering and setting strategic direction, (ii) approving policy and planning, (iii) overseeing and monitoring the implementation of policies and plans by management, and (iv) ensuring *accountability* “for corporate performance by means of, among others, reporting and disclosure.”

In line with Schwartz and Carroll’s definition of accountability, Principle 5 of King IV (2016: 48) states that the board must “ensure that reports issued by the organisation *enable stakeholders to make informed assessments* of the organisation’s performance, and its short, medium and long-term prospects [emphasis added].” Obviously, many of those stakeholders have ample means of expressing their approval or disapproval about how the corporation is being governed and managed (e.g. legitimacy challenges by civil society and consumer boycotts). Thus, the main mechanism for boards and corporations to ‘answer’ for their execution of their responsibilities is integrated reporting, which—consistent with the dictates of integrated thinking—will highlight decisions and activities in respect of the frameworks of *responsible corporate citizenship*, *stakeholder relations* and *sustainable development* (see the definition of integrated thinking quoted above). Most important, however, is accountability’s incorporation or integration of *business ethics*. Accountability is one of the consistent virtues (King IV), values (King III) and principles (King II) of King Committee guidance, and it is closely linked with two others, *viz.* transparency and integrity. King IV defines transparency

⁴⁶ The King IV (2016: 94) supplement for non-profit organizations indicates, for example, that the Global Reporting Initiative’s G4 guidance on sustainability reporting “is instructive on executing accountability to stakeholders.”

as “[t]he unambiguous and truthful exercise of accountability such that decision-making processes and business activities, outputs and outcomes (both positive and negative) are easily able to be discerned and compared with ethical standards.” Integrity is defined in two senses. In the context of governance and ethics, King IV (2016: 14) defines integrity as “possessing the quality [virtue] of being honest and having strong moral principles. It encompasses consistency between stated moral and ethical standards and actual conduct.” In relation to financial statements and other reports, integrity “refers to the reliability and usefulness of these reports.” In summation, accountability (as a key element of responsibility) also clearly integrates and unifies the four/five frameworks in King Committee guidance.

Having confirmed that Schwartz and Carroll’s VBA model and proposition can be found in—and indeed is validated in—King Committee guidance on corporate governance, I can now suggest a King IV version of the VBA normative proposition and VBA model.

4.5.4 A Suggested King IV Version of the VBA Normative Proposition

Based on the above analysis, I suggest that a restatement of the VBA normative proposition on the role of business in society—as strengthened in Chapter 3 and highlighting King IV’s four/five frameworks (i.e. replacing corporate social responsibility and corporate citizenship with ‘responsible corporate citizenship’)—would read as follows:

Ethical (business ethics) and responsible corporate citizens (corporate social responsibility and corporate citizenship) are expected (i) to contribute to sustainable, net societal value creation (sustainability), (ii) to appropriately balance stakeholder interests (stakeholder relations - management) and moral values, principles and standards (business ethics), and (iii) to demonstrate sufficient accountability (stakeholder relations – accountability and business ethics).

Again, in summation, the suggested King IV normative proposition begins and ends with business ethics.

4.5.5 A Suggested King IV Concentric Framework

At this point, I can adjust my concentric framework for use in explaining business ethics, the ethics of governance and governance of ethics (drawing on Figure 8) and applied (business) ethics (drawing on Figures 6 and 7)⁴⁷ in King IV and King Committee guidance in general. It is presented in Figure 9 below.

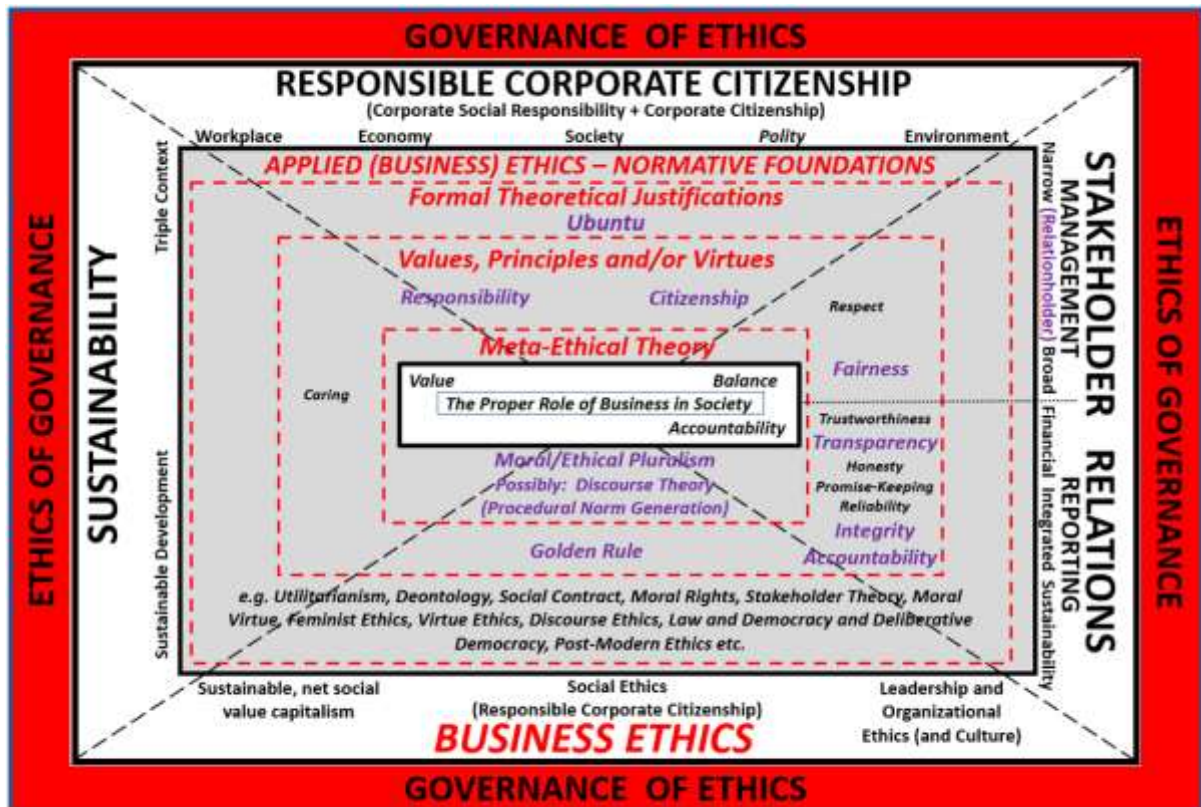


Figure 9: Suggested King IV Concentric Framework

In a new, additional outer periphery (in red), King IV's overarching construct for business ethics and corporate governance is indicated, viz. the *ethics of governance and the governance of ethics*. Within that, in the original periphery, the positioning of the four/five frameworks is adjusted (i) to align with the abovementioned construct as explained in section 4.3 and shown in Figure 8, (ii) to enable the use of the portmanteau framework of 'responsible corporate citizenship' under which I have subsumed corporate social responsibility and corporate citizenship (I have also added the dimensions of workplace, economy, society and environment, as well as 'polity' in order to highlight the political dimension of this/these

⁴⁷ For more on the distinction between 'business ethics' and 'applied (business) ethics' see my discussion in sections 1.3 and 3.4 above.

frameworks); and (iii) to bring stakeholder management and reporting alongside one another under stakeholder relations. Woermann and Engelbrecht's Ubuntu-based 'relationholder' theory/dimension of stakeholder management is added and highlighted in purple as well. Another change is the identification of the sustainability dimensions of sustainable development and the 'triple context' (King IV's (2016: 18) replacement term for the 'triple bottom line'), and the business ethics dimensions of leadership and organizational ethics/culture, social ethics (i.e. responsible corporate citizenship) and sustainable, net social value capitalism (the macro level of analysis, which lies next to and flows into sustainability/sustainable development).

Within the field of applied (business) – normative foundations, the three levels of moral thought are indicated. As explained above, Ubuntu is King IV's underpinning moral theory (highlighted in purple). It and the others identified by Schwartz and Carroll and myself are presented in the formal theoretical justifications box. King IV's core VPVs are integrity, responsibility, accountability, fairness and transparency (merged with Schwartz and Carroll's VPVs so there are no duplications) and the Golden Rule (all highlighted in purple). Finally, its meta-ethical theory is moral/ethical pluralism and, in my view, King IV—by virtue of *inter alia* its definition of, and emphasis on, 'legitimate' claims and its identification of legitimacy as one of four key governance outcomes—opens the door to a philosophically dialogical, discourse theory approach to ethics and politics in cases where there is significant moral/ethical dissensus. Finally, I have slightly shifted the positioning of the core concepts of value, balance and accountability in order to bring them as close as possible to the frameworks, theories and VPVs to which they are most closely related.

4.6 Conclusion

I am of the view that my analysis confirms the validity and usefulness of Schwartz and Carroll's comparative framework/analysis and VBA model in the context of South African corporate governance based on King Committee guidance, particularly as strengthened by my concentric conceptual framework. In summation, the four/five frameworks and their underlying theoretical justifications feature strongly in the guidance, and relate to one another in a largely complementary (although sometimes confusing) manner. The core concepts of value, balance and accountability are identifiable and receive considerable focus. The VBA concepts clearly incorporate all four/five frameworks, are based on one or more moral theories and a number of

VPVs that are also easily discernible, and the meta-ethical theory of moral pluralism is clearly at work.

Furthermore, I am of the view that I have basically solved my problem of formulating a robust conceptual framework that can be used to explain the relationships amongst the four/five frameworks—and to identify their unifying VBA core construct—in King IV and King Committee guidance context from an applied (business) ethics perspective. However, there is more work that can be done to further strengthen and enhance the framework and VBA modal, and I discuss possible future research in the concluding chapter which follows.

Chapter 5 CONCLUSION

5.1 Discussion

As stated in Chapter 1, the goal of this research was to find and/or formulate a few, robust conceptual frameworks that could enable me to better answer—from a South African *corporate governance and business ethics* perspective—a number of questions regarding the five fields, frameworks and functions that describe, prescribe and assist in the governance and management of the relationship between business and society, *viz.* business ethics, corporate social responsibility, stakeholder relations, sustainability and corporate citizenship. I was also in need of a unifying conceptual construct that could be captured in an operational motto for the ethics, sustainability and other corporate officers in the overall business and society community of practice.

I based my research on Schwartz and Carroll's (2008) search for a common core in the field of business and society. Their comparative analysis of the five frameworks and the VBA model (based on a disaggregating analysis of the same) provide excellent, foundational conceptual frameworks from which to work. I took up their offer to use their research to assess and analyse corporate governance, which over time has incorporated the five frameworks into its field and guidance; and to enable researchers and practising professionals in each of the fields, frameworks and functions to better locate and understand their work in relation to the others.

However, I found two key areas in which their research was not fully developed or utilised, *viz.* their lack of identification of the 'permeating' sub-framework or core of applied (business) ethics, and their lack of clarity as to the formal theories, values, principles and virtues (VPVs) and meta-ethical theories or approaches they were making use of. For that reason, I added a conceptual framework of my own—which takes on the design of a concentric framework—that highlights how the normative theories and approaches of applied (business) ethics permeate and support all of the others. I also updated and strengthened their conceptualization of corporate social responsibility and corporate citizenship, as well as stakeholder relations management and reporting.

I was able to successfully extend Schwartz and Carroll's concentric framework-enhanced conceptual framework for comparative analysis and the VBA model into the field of corporate

governance, particularly South African corporate governance based on King Committee guidance. The analysis confirmed the validity and applicability of Schwartz and Carroll's research in that field, and—with their conceptual frameworks enhanced by the inclusion of the concentric conceptual framework—I believe that I have what is necessary for me to answer—in a manner comprehensible to persons not trained in any of the frameworks, or in only one—the questions of, “What are the similarities and differences between—and the relationships amongst—business ethics and the other functions of stakeholder relations, corporate social responsibility, corporate citizenship and sustainability?”; “How does one best explain the role of business ethics in providing the normative foundations for all of these fields, frameworks and functions, and for corporate governance as a whole?”; and “Is it possible to identify some core concepts, themes or goals that enable this group of functions to be more focused and to work together in a more integrated fashion?” They are presented in Figures 6 through 9 above. Finally, I can adopt Schwartz and Carroll's core construct (drawn from their normative equation) as a passable motto for the community of practices in the field of business and society that assist in ensuring good corporate governance, *viz.* 'Value, Balance and Accountability'.

5.2 Possible Future Research

Firstly, as mentioned in Chapter 2, many of the details of Schwartz and Carroll's comparative and disaggregating analyses of the five frameworks are obviously now a bit dated. Carroll and Brown (2018) have provided a partial update, but it would be interesting for the entire analysis to be fully updated, and for it to be determined whether the continuing validity of the VBA model can be confirmed.

Secondly, as mentioned in Chapter 3, it would be helpful if further research were conducted that could confirm whether or not I am correct in tentatively asserting that the relationships and dynamics highlighted by Trevino and Weaver (1994; Weaver and Terino 1994) in respect of the empirical and normative dimensions of the field of business ethics also apply with respect to the other fields or frameworks. That is, I should like to confirm whether the same parallel, symbiotic and integrative relationships exist, and what challenges they propose for practitioners in those fields.

Thirdly, as mentioned in Chapter 4, I am interested in reflecting further on the extent to which King IV Committee guidance is or should be moving toward the 'principlism' approach to

applied ethics, best known in the field of medical and bioethics. Given King IV's heavy reliance on principles, this could be of considerable importance for the development of the field of business ethics in South African corporate governance.

Fourthly, as indicated in a footnote in Chapter 4, I am keenly interested in undertaking further research on the extent to which King Committee guidance is implicitly calling for the adoption of (or conceptually cornering itself with e.g. human rights responsibilities such that it must adopt⁴⁸) a normative, political approach to the resolution of moral/ethical dilemmas and dissensus. I would suggest that, in such cases, corporations may be well advised to adopt a normative legal and political theory and approach to conflict resolution that is based on dialogical reasoning and discourse or deliberation, e.g. Scherer and Palazzo's (2007; 2011) theory and practice of *political corporate social responsibility*, briefly explained in Chapters 3 and 4. Of course, this suggestion would require considerable research to confirm whether it is correct or not; however, it should be worth the effort.

Finally, it is interesting and important to note that King IV (2016: 29) recommends that the 'social and ethics committees' required by Companies Act Regulation 43 (Republic of South Africa 2011) be made responsible for the governance of all five frameworks, i.e. "oversight and reporting on organisational ethics, responsible corporate citizenship, sustainable development and stakeholder relationships. This role includes organizational ethics and cover[s] statutory duties, but the intent is to encourage leading practice by having the social and ethics committee progress beyond mere compliance to contribute to the creation of value."⁴⁹ In my view, social and ethics committees are essentially oversight and reporting committees on business and society performance, and further research on the possible extension of Schwartz and Carroll's conceptual framework and model into the regulated or voluntary remits of social and ethics committees would likely produce beneficial results.⁵⁰

⁴⁸ See also e.g. the UN Office of the High Commission on Human Rights (2011) guiding principles on business and human rights and the United Nations (2015) Global Compact.

⁴⁹ The current regulatory remit of social and ethics committees does not expressly include organizational ethics.

⁵⁰ In a recent publication on 'Social and Ethics Committee Trends Survey Report 2020,' The Institute of Directors of South Africa and The Ethics Institute (2020: 17) report, "There was general agreement that the SEC [social and ethics committee] adds value and that the SEC is viewed as important in comparison to other committees. However, there was much less agreement (only about half of the sample) that the Companies Act provides enough guidance on SEC operations. Additionally, just more than two thirds of the sample agreed that King IV provides enough guidance on SEC operations. This may indicate the need for further guidance on the mandate and responsibilities of the SEC." See also Rossouw's (2018) handbook on social and ethics committees.

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